



3 1761 11648566 5



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761116485665>

CAI
TA 66
- R 25

1992 ANNUAL REPORT

55



Ports Canada

PORTS CANADA PROFILE



"Ports Canada" describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha! Ha!, Sept-Îles and Trois-Rivières.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.



Advantage Canada is a strategic alliance of Canada's transportation players, designed as a coordinated, competitive and reliable system which will collectively promote and enhance the quality of service of Canadian transportation routings. Advantage Canada was launched in the fall of 1992 with the participation of Ports Canada, CN North America, CP Rail System, Canada Customs, Canadian Trucking Association and Transport Canada. The initiative is a vehicle for harnessing the collective strengths of its members and provide Canadian transportation users with a seamless system using Canadian gateways.

TABLE OF CONTENTS

CANADA PORTS CORPORATION	3
HALIFAX PORT CORPORATION	17
MONTRÉAL PORT CORPORATION	23
PRINCE RUPERT PORT CORPORATION	31
PORT OF QUÉBEC CORPORATION	37
SAINT JOHN PORT CORPORATION	43
ST. JOHN'S PORT CORPORATION	51
VANCOUVER PORT CORPORATION	57
CORPORATE DIRECTORY	65

PORTS CANADA PERSPECTIVE

Total traffic represents cargo handled through terminals administered by Ports Canada, as well as traffic through private facilities within the jurisdiction of the port. In 1992, Ports Canada ports handled 166.9 million tonnes of cargo, down 8.3 percent from the volume reported a year earlier. Of this total, 140.9 million tonnes, or 84 percent, were handled collectively by the seven local port corporations and 26.0 million tonnes by the Canada Ports Corporation. Coal was mainly responsible for the downturn in overall port activity with a decrease of over seven million tonnes in 1992. Other resource industry products such as iron ore, grain, sulphur and potash also faced reduced volumes while container traffic reported a moderate decline.

With the exception of the Port of Montréal whose traffic remained unchanged and the Port of Prince Rupert which reported a slight increase in traffic, all major ports in the system showed reduced results in 1992. On a positive note, most of the divisional ports had good performances. Despite a labor stoppage during the first quarter,

the Port of Trois-Rivières ended the year with a small increase in traffic. The Port of Prescott, with 624,000 tonnes in 1992, reached levels last recorded in the mid-1970s, while Port Colborne doubled its traffic to 40,000 tonnes. However, with declining iron ore shipments of close to two million tonnes, the Port of Sept-Îles reported the lowest volumes in a decade with 19 million tonnes.

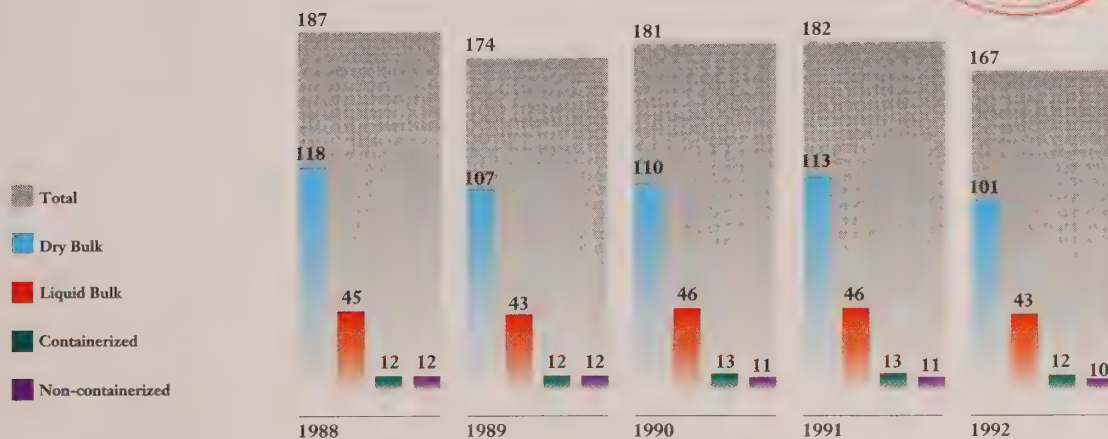
Reflecting depressed market conditions, coal exports decreased to 25 million tonnes in 1992, from 32.3 million tonnes a year earlier. Coal throughput at the Port of Vancouver was down a total of 6.4 million tonnes, a 25 percent decrease due to production disruptions at coal mines. Across the Ports Canada system, grain traffic decreased by six percent to 28.4 million tonnes, primarily due to reduced shipments to Russia. West coast ports showed positive results in grain handling by year end, while all ports in eastern Canada reported volumes below the 1991 levels.

For the second year in a row, container activity has continued to decline. Traffic in 1992 of 12.3 million

tonnes is down 2.3 percent from last year and 4.6 percent below the record-breaking year in 1990. The 1992 numbers translate into the handling of 1.37 million TEUs (twenty-foot equivalent units). The Port of Halifax had another difficult year with container traffic declining by close to 20 percent. By contrast, the Port of Vancouver continued to forge ahead reaching another high in 1992 of 3.6 million tonnes of containerized cargo or a ten percent increase over 1991. Meanwhile, container traffic at the Port of Montréal remained constant this past year, with 5.8 million tonnes of container cargo handled. A similar pattern developed at the Port of Saint John where traffic appears to have stabilized at 110,000 tonnes in the past two years. The Port of St. John's registered a slight drop of 2.7 percent, down to 329,000 tonnes.

Non-containerized general cargo lost ground in 1992 with 9.9 million tonnes of traffic reported, the lowest level since 1985, and down from 11.2 million tonnes in 1991.

Five Year Review of Traffic *T(million)*



PORTS CANADA FINANCIAL REVIEW

Revenues from operations for Ports Canada reached another record level of \$218 million in 1992. The improvement was primarily attributed to Ridley Terminals Inc. (RTI) and higher revenue generated by the new handling and storage facilities at the Port of Sept-Îles. On July 30, 1991 RTI became a wholly-owned subsidiary of Canada Ports Corporation. Accordingly, RTI's financial results for the full year of 1992 are included with those of Ports Canada, compared to those of the last five months in 1991. Apart from RTI's financial performance, the Ports Canada system experienced an overall decrease of \$3 million in operating revenues. In spite of larger volumes of certain commodities handled by several ports, total traffic at Ports Canada declined in 1992.

Operating expenses of \$171 million include those of RTI for the whole year in 1992. With the cost restraint measures in place, the objective of reducing operating expenses has been achieved by the system. Operating income of

\$47 million was recorded for 1992, a significant improvement of 52 percent over 1991. Funds from operations, being operating income before depreciation, were \$81 million. Other income, which was primarily investment income, amounted to \$17 million in 1992. Funds generated by operations and investments are the major source of financing to enable the ports to build the required facilities to remain effective and competitive.

Ports Canada recorded a net income of \$41 million in 1992 compared to a net loss of \$216 million in 1991. The latter reflected a net income of \$40 million and the recording of a loss of \$256 million on the acquisition of RTI by Canada Ports Corporation.

In 1992, Ports Canada declared and paid dividends of \$9 million based on the 1991 financial results.

Canada invested an additional \$20 million in the Interport Loan Fund (the Fund) in 1992. The Fund, which is administered by Canada Ports Corporation, provides an alternative source of financing for financially viable capital projects of the Ports Canada system.

Earnings of the Fund are pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established. Borrowings from the Fund in 1992 include funds advanced for the construction of a coal terminal at the Port of Belledune, handling and storage facilities as part of the Alouette project at the Port of Sept-Îles, as well as a grain cleaning system at the Port of Québec Corporation.

During the year, the Ports Canada system invested \$62 million in capital improvements. Of this amount, \$26 million were provided by internally generated funds while \$23 million by borrowings from the Fund. Further expansion and upgrading of port facilities at Sept-Îles, Vancouver, Montréal, Belledune and Québec comprised the major capital investments in 1992. Capital grants of \$13 million received from Canada were primarily for the Alouette project at the Port of Sept-Îles.

	1992 *	1991 *	1990	1989	1988
<i>(in millions except for average number of employees and ratios)</i>					
Financial results					
Revenue from operations	\$ 217.5	\$ 199.9	\$ 179.9	\$ 169.9	\$ 169.5
Operating expenses	170.8	169.4	155.0	147.5	140.9
Operating income	46.7	30.5	24.9	22.3	28.6
Other income	16.7	20.3	29.7	28.9	24.8
Interest expense	22.6	14.1	4.7	4.0	3.9
Net income (loss)	40.8	(215.8)	50.1	48.7	62.9
Cash provided by operating activities	74.2	45.4	102.7	59.1	96.2
Financial position at year end					
Working capital	\$ 122.2	\$ 111.2	\$ 104.6	\$ 179.7	\$ 183.0
Fixed assets - at cost	1,297.9	1,260.6	1,186.3	1,124.2	1,056.9
Total assets	1,116.8	1,073.3	1,022.4	1,004.5	960.4
Long term debt	322.6	369.6	126.0	110.9	107.6
Equity of Canada	666.3	586.4	756.3	817.9	785.5
Capital expenditures	\$ 61.6	\$ 95.0	\$ 81.3	\$ 77.6	\$ 49.7
Federal capital financing					
Grants	\$ 13.0	\$ 32.7	\$ 11.1	\$ 4.8	\$ 2.8
Loans	—	—	12.8	4.5	1.0
Payments to Canada					
Dividends	\$ 9.2	\$ 12.6	\$ 11.7	\$ 13.2	\$ 11.8
Cash contributions	—	—	100.0	—	—
Employees					
Average number of employees	1,162	1,165	1,194	1,208	1,291
Ratios					
Operating revenue/tonne	\$ 1.21	\$ 1.07	\$ 1.00	\$ 0.98	\$ 0.91
Tonnes/employee	154,097	160,469	151,284	144,170	144,711
Cash from operating activities/total assets	6.6%	4.2%	10.0%	6.0%	10.0%
Debt equity	48 : 52	63 : 37	17 : 83	14 : 86	14 : 86

* Includes Ridley Terminals Inc. which became a wholly-owned subsidiary of Canada Ports Corporation on July 30, 1991. Five months of its operating results are included in the 1991 figures as compared to twelve months in 1992.

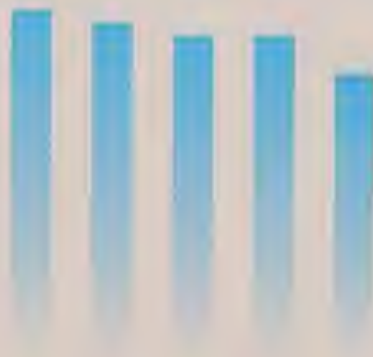


Canada Ports Corporation



Total Traffic T (million)

31 30 29 29* 26*



1988 1989 1990 1991 1992

*excludes Ridley Terminals Inc.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

In the decade since Parliament created the Ports Canada system, marked shifts have occurred in both traffic and infrastructure. Cargoes such as containers have shown considerable growth in a narrowing range of ports, while some formerly busy grain ports have lost almost all their grain traffic. Nonetheless, the system has increased its capacity to finance capital requirements internally and to be operationally self-sustaining. But the recession of the 1990s has administered a severe test, and the system emerging from 1992, although still intact, is leaner and in need of examining what businesses to be in and where, and how best to meet the several objectives of national ports policy.

As Chairman since March 1992, my effort has been to promote cooperation and trust across the system, so as to

develop common ground between local planning and the wider goals of national port policy. Through regular meetings with LPC Chairmen and Boards, and greater openness between CPC's management and Board, I hope to see more joint effort to achieve the balance intended in the *Canada Ports Corporation Act*. Concentration on the commercial aspects of what ports do will lead to better planning and decision-making in the system.

In 1992, CPC and the LPCs jointly undertook a study of the system's police and security requirements. Executed with dispatch by the Honourable René Marin, the study was presented in October to the CPC Board, which mandated its Chairman, President and corporate counsel to examine the report in dialogue with the LPCs. This dialogue will conclude in early 1993, so that generally favored recommendations may be implemented.

On a second front, the CPC Board commissioned an outside study to examine, for the Minister's use, relations between CPC and the LPCs. At year's end, the report had been received and a dialogue had

commenced with the LPCs to assemble the system's reactions for the Minister.

Delay in approving port projects through a multi-layered review process in Ottawa has long been an irritant in the system. In 1992, Ports Canada won agreement for "blanket approval" of capital projects by Transport Canada and Treasury Board through the annual approving of corporate plans and capital budgets. Henceforth, CPC will in most cases be the final body for approval of specific port projects and transactions up to the level of its own delegated authority.

The *CPC Act* calls for equitable access to users of Canadian ports. To meet this objective, CPC in 1992 strove to enhance the commercial focus of the ports, recognizing that the hinterland of most of them is widely scattered and not primarily local, and that in a globalizing economy, shippers rely on

the efficiency of transportation services to stay competitive.

1992's signal achievement was the launching of Advantage Canada, a commercial alliance of ports, railways, truckers, cargo agents and government cargo-facilitating agencies to build a seamless system for international intermodal cargo through Canada. With the blessing and support of Minister Jean Corbeil, a national Advantage Canada quality coalition was also launched to bring together those involved in cargo movement — railways, trucks, labor, shipper's agents, port and stevedore, Canada Customs, etc. — to create the effortless cargo flow that makes the system "seamless". In 1993, the ports' gateway councils, where this coalition is centred, will extend the work begun in 1992. Advertising already underway will continue to announce that a cooperative Canadian intermodal transportation option exists from both coasts into the heart of North America.

In 1992, facing shrinking revenues, the ports reacted as their customers did: by freezing some rates and cutting costs so as to sustain their capacity to meet tightened competitive conditions. The ports have to succeed in operating efficiently; government cannot be expected to subsidize normal commercial use of ports.

In July, the Board moved to refocus and limit CPC's 1992 operating expenses. Greater retrenchment followed at the end of the year, leading to a recasting of the 1993 CPC budget to about seven per cent below the already reduced 1992 level. National Office staff levels were cut and new hiring frozen along with wage levels. With consolidation by the President of some management functions and the appointment of a Vice-President for divisional port activities, a leaner and more focused Corporation faces 1993.



ARNOLD E. MASTERS



MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The year just gone by will likely be a landmark in Ports Canada's recent history. After a comprehensive study into the competitiveness of Canada's container ports, Ports Canada, along with the two national railways, Canada Customs, Transport Canada and the Canadian Trucking Association, launched a most ambitious program aimed at countering our competitive shortcomings. Advantage Canada marks the first-ever national program designed to harmonize the services provided by these partners in the Canadian transportation system, and reflects Ports Canada's vision for the role that such strategic alliances can play in enhancing efficiency and competitiveness.

The initiative can serve as a model for other industrial sectors to follow, for decades to come. We at Ports Canada take pride in having been associated with, and being a founding partner in, this national campaign. May this new era of cooperation bear fruit for all.

The Advantage Canada initiative was a bright star on a horizon otherwise darkened by the clouds of a worldwide recession. The economic downturn played havoc with the country's industrial sector amongst others. Our ports were not immune to the ills that afflicted the rest of the nation's economic body. Consequently, at most ports, some major traffic categories suffered. Along with the rest of the nation, we are looking forward to improved economic conditions in 1993 and beyond.

The frail state of the economy notwithstanding, a number of notable accomplishments were recorded within our ports. The aluminum smelter plant in Sept-Îles and the conversion of part of the Trois-Rivières elevator for alumina handling became operational, while the construction of a wharf for New Brunswick Power Corporation in Belledune drew to a close. These ports are very well positioned to reap the benefits of their respective new facilities.

The Canadian government exhibited vision and foresight in seeking to join the North America Free Trade Agreement between Mexico and the US. NAFTA will undoubtedly enhance Canada's market opportunities and strengthen our competitive positioning. Ports Canada hopes to be a key partner in this expanded trade environment and commends the government for its providence in this regard.

In response to the Minister of Finance's December, 1992, economic statement, the Corporation took painstaking care to curtail cost and further improve efficiency. A new organizational structure was, as a result, ushered in to reduce cost and enhance productivity. I am pleased to note that the foundation is now in place to build on our strengths.

The appointment of Mr. A.E. Masters as the new Chairman of the Board was welcome news both internally, as well as within the industry. A veteran of the waterfront scene for nearly 25 years, Mr. Masters brings a seasoned approach to the Corporation. On behalf of the management and staff of the Corporation, I welcome Mr. Masters and extend to him our collective hand of cooperation and support.

Transition periods and economic uncertainty are particularly trying for the staff. I would like to commend the management and staff for their dedication and support for the Corporation's long-term objectives. It is only through such loyalty that our future remains bright. The Corporation is equally blessed with a supportive and hard working Board of Directors whose sense of vision are the guiding light for the management as well as for the shareholder.

In accordance with my statutory obligations, it is once again a pleasure for me to inform the Corporation's Board of Directors, and the shareholder, the Government of Canada, that the Corporation made measurable progress during 1992 in achieving its objectives; and that the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.



JEAN MICHEL TESSIER



CANADA PORTS CORPORATION

Canada Ports Corporation is comprised of eight non-corporate ports, known as divisional ports. They are located in Belledune, New Brunswick; Port Saguenay/Baie des Ha! Ha!, Sept-Îles, Trois-Rivières, Quebec; Port Colborne, Prescott, Ontario; and Churchill, Manitoba. Divisional ports play a key role in their respective local and regional economies. Local industries are dependent on facilities provided by these ports and are often the primary link in both national and international markets.

Dry bulk handled at the divisional ports include grain, salt, various mineral ores and coal. Liquid bulk is made up primarily of petroleum products while forest products are examples of general cargo handled at some of these ports. Divisional ports constitute an integral part of the total Ports Canada system. While their sphere of influence is often more regional than national, the overall economic well-being of the community is clearly linked to the port.

In 1992, divisional ports handled a total of 26.0 million tonnes of cargo, a 10.4 percent decrease from the 29.0 million tonnes reported in 1991. This total represents 16 percent of the 166.9 million tonnes handled by all Ports Canada ports in 1992. This share has remained relatively constant in the past few years.

Despite the significant drop in overall traffic, five of the divisional ports recorded increases in 1992. The Port of Prescott recorded its best year since the mid-seventies handling 624,000 tonnes of cargo, an increase of 32.2 percent over 1991. The results in Port Colborne were also very positive. Close to 40,000 tonnes of grain were handled, twice the volume handled the previous year.

Results at the Port of Churchill showed some improvement with the port reporting a jump of 4.9 percent in traffic, to 278,000 tonnes, made up mostly of grain exports to overseas destinations. An increase in general cargo volumes at the Port of Belledune helped the port reach the 351,000 tonne level in traffic, which was close to seven percent over 1991.

Despite a work stoppage earlier in the year, the Port of Trois-Rivières rebounded to record 1.4 million tonnes

of cargo, a slight increase over the previous year. With shipments of iron ore down by 2.5 million tonnes and coal movements down by close to 600,000 tonnes, the Port of Sept-Îles experienced its lowest tonnage in a decade with slightly over 19 million tonnes of cargo handled in 1992. These results impacted greatly on the overall numbers at divisional ports. Traffic volumes at Port Saguenay were greatly reduced in 1992. While all categories of cargo were affected, the most significant factor was the termination of water-borne movements of petroleum products in favor of surface transportation. This resulted in total traffic declining from 513,000 tonnes to 320,000 tonnes. The Port of Baie des Ha! Ha! was also affected by the economic slowdown. Traffic at the port fell by 5.3 percent to register 3.9 million tonnes.

The financial overview includes the financial results of RTI for the full year in 1992 as compared to the five-month period from July 30, 1991 when it became a wholly-owned subsidiary of the Corporation. Both RTI and the Port of Sept-Îles contributed significantly to the operating results for the year, reflecting RTI's operations for the additional seven months in 1992 and revenue generated by the new facilities at the Port of Sept-Îles during the year.

Principal Operations: The principal operations of Canada Ports Corporation are defined by the activities of the divisional ports and RTI.

Revenue from Operations: Revenue from operations of \$52.8 includes revenue earned by RTI for the twelve months in 1992, and otherwise indicates a significant improvement of \$5.0 million compared to 1991. In 1992, the Port of Sept-Îles is primarily accountable for the higher revenue generated by the divisional ports.

Operating Expenses: Operating expenses increased in 1992 by \$4.9 million to \$26.1 million. The rise reflects RTI's operating expenses for the additional seven months in 1992 and an overall increase at the divisional ports of \$1.7 million over 1991.

Income from Operations: Income from operations at \$26.7 million indicates a significant improvement of \$21.2 million over 1991. It primarily

reflects RTI's income of \$27.7 million for the full year of 1992.

Investment Income: Investment income of \$3.5 million was down by 13 percent or \$0.5 million compared to one year earlier. The decline was due to lower interest rates in 1992 and smaller investment bases at several divisional ports. This results from the employment of internally generated funds for some capital projects. It is also partly due to the transfer of \$1.2 million, as directed by the Minister of Transport, from five divisional ports to the Port of Churchill to cover the latter's 1992 cash shortfall.

Interest Expense: Interest expense of \$18.4 million increased by \$8.9 million. This is primarily attributable to loan interest charges incurred both by RTI for the additional seven months and by two divisional ports for the new financing from the Interport Loan Fund during the year. However, the substantial drop in interest rates during the year impacts favourably on the Corporation's financing costs on the 1992 borrowings as well as on the bank loans for current and future years.

Net Income: Net income was at \$11.8 million compared to \$62,000 in 1991, prior to the loss on the acquisition of RTI. The significant improvements are particularly noted at RTI and the Port of Sept-Îles.

Dividend to Canada: In 1992, the Corporation paid a dividend to Canada of \$30,000.

Interport Loan Fund: The Fund was established by Canada in 1989 to provide financing for financially viable capital projects of the Ports Canada corporations. During the year, Canada invested an additional \$20.0 million in the Fund. Borrowings from the Fund in 1992 included transfers to the Port of Belledune and the Port of Sept-Îles as well as loans to a local port corporation for financing their respective capital projects.

Capital Investments: In 1992, the Corporation invested \$30.5 million in the construction of new facilities and the improvement of existing ones. While the Corporation received capital grants of \$12.8 million from Canada for the Alouette project at the Port of Sept-Îles, the balance of the capital investments was financed by borrowings and internally generated funds.

PORT OF BELLEDUNE

The Port of Belledune is located on the south shore of the Baie des Chaleurs, in northeastern New Brunswick, about thirty-five kilometers northwest of Bathurst and fifty kilometers east of Dalhousie. The port has bulk-handling facilities. One berth facility is 167 meters in length and connected to shore by a 7.5-meter roadway and can handle ships in the 35,000-DWT (dead weight tonnes) capacity. This facility is leased out to Brunswick Mining and Smelting on a long-term basis.

Construction of a second berth to handle coal required by the thermal power plant presently being built by the New Brunswick Power Corporation was completed in 1992. The new berth is approximately 300 meters in length with a water depth alongside of 15.9 meters and is capable of accommodating ships up to 100,000-DWT.

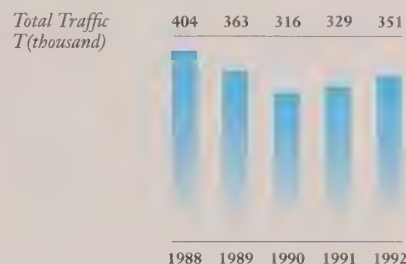
The first coal shipment is scheduled to arrive in April 1993 with traffic levels of 1.2 million tonnes forecast for 1994.

Overall traffic at the Port of Belledune increased by seven percent in 1992, reaching 351,000 tonnes. Dry bulk cargo, consisting primarily of phosphate rock, topped the 270,000 tonnes mark after recording 259,000 tonnes in 1991. Petroleum product volumes were slightly below last year at 56,000 tonnes. Construction of the new berth generated increased general cargo traffic at the port, rising from 10,000 tonnes in 1991, to 42,000 tonnes in 1992.

Operating revenues increased by 15 percent to \$290,000 in 1992 from \$253,000 in 1991, while operating expenses decreased to \$214,000 from \$239,000. Operating results showed a profit of \$76,000 in 1992. Interest expense on the financing of the new wharf was responsible for a net loss of \$1.5 million.



PORT OF BELLEDUNE



PORT OF CHURCHILL

The Port of Churchill located on the west shore of Hudson Bay continued its primary role in 1992 in exporting western Canadian grain. The re-supply of northern communities in the Keewatin region of the Northwest Territories is another important function of the port. This year marked the sixty-third year that grain has been shipped through the elevator.

Total port traffic increased slightly to 279,000 tonnes in 1992 from 265,000 tonnes in 1991. Seven ships carried 250,000 tonnes of wheat and barley to South Africa and Russia, respectively. During 1992, a record shipment of wheat, 45,500 tonnes, was

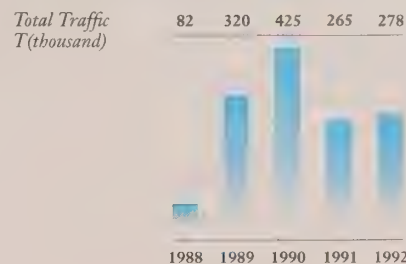
exported to Russia on the *M.V. HUDSON BAY*. The Northern re-supply operations, which consist of petroleum products, building supplies and other essential materials, decreased slightly to 28,000 tonnes.

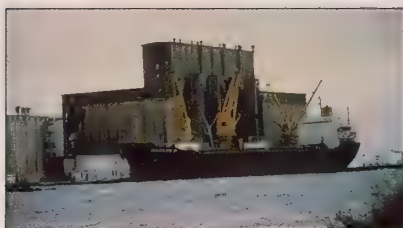
During the year, the Port of Churchill improved its unloading facilities with the conversion of a second boxcar dumper to handle hopper cars.

Operating revenues rose by 16 percent from \$3.1 million in 1991 to \$3.6 million in 1992 due to higher grain traffic. Operating expenses were up by 3 percent from \$5.9 million in 1991 to \$6.1 million in 1992. Financial results for 1992 showed an operating loss of \$2.5 million and a net loss of \$2.4 million.

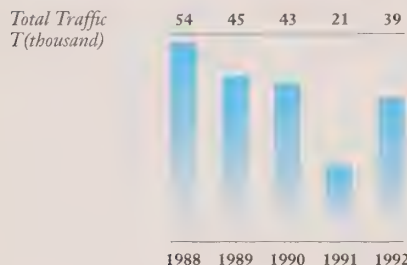


PORT OF CHURCHILL





PORT COLBORNE



PORT COLBORNE

Port Colborne is located at the southern end of the Welland Canal and specializes in the handling of domestic grain. In 1986, the Canada Ports Corporation leased the Port Colborne elevator to Goderich Elevators Limited of Ontario, under the terms of a twenty-year agreement.

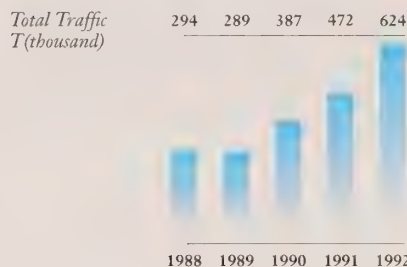
In 1992, four ships called at the port. Total grain traffic reached close to 40,000 tonnes during the year, up from 21,000 tonnes in 1991. While these results are positive, this volume

represents only a fraction of the levels attained in the early 1980s when 300,000 tonnes was handled at the elevator.

Total operating revenue for the year went up by 17 percent from \$121,000 in 1991 to \$141,000 while operating expenses declined from \$441,000 to \$433,000. Consequently, the operating loss fell by nine percent from \$320,000 in 1991 to \$292,000. Investment income of \$370,000 provided the port with a net profit of \$78,000.



PORT OF PRESCOTT



PORT OF PRESCOTT

The Port of Prescott is located 200 kilometers west of Montréal and 100 kilometers south of Ottawa on the St. Lawrence River. The port is managed cooperatively by the Canada Ports Corporation which operates the port facility and Goderich Elevators Limited which holds a lease on the grain elevator. The primary function of the port is the handling of grain for domestic use through its 154,000-tonne capacity elevator.

The Port of Prescott had its best year since 1975 handling 624,000 tonnes of cargo, an increase of 32.2 percent over 1991. Water-borne grain

traffic increased by 5.5 percent to 332,000 tonnes. Over 200,000 tonnes of industrial salt was handled in 1992, compared with 156,000 tonnes in 1991, while aggregate moved through the port for the first time and registered 87,000 tonnes.

Total operating revenue improved significantly from \$678,000 in 1991 to \$865,000 in 1992, primarily due to increased traffic of aggregate and salt. Operating expenses also rose by 17 percent from \$1.2 million to \$1.4 million. This resulted in an operating loss of \$534,000 compared to an operating loss of \$548,000 in 1991. Investment income of \$1.1 million provided the port with a net profit of \$606,000.

PORT SAGUENAY/BAIE DES HA! HA!

Located at the head of the river whose name it shares, Port Saguenay plays a key role in the local economy and provides vital services to the region's resource-based industries. The primary industrial sectors in the region are pulp and paper, lumber and aluminum production. Port facilities include the Grande-Anse marine terminal, located in the town of La Baie, and the Albert-Maltais

terminal, located in Chicoutimi. Grande-Anse is a multi-service terminal that handles forest products as well as dry and liquid bulk cargo. The Albert-Maltais terminal handles petroleum products for the area.

Port Saguenay experienced a significant drop in total traffic in 1992, from 513,000 tonnes to 320,000 tonnes, a decrease of 37.6 percent. This can be attributed to the reduction of petroleum products moving through the port in favor of handling by truck. General

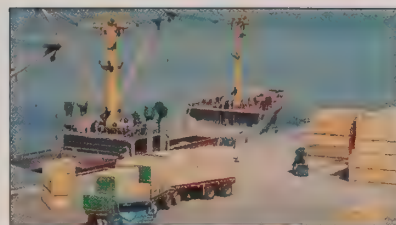
cargo traffic, consisting mostly of forest products, decreased from 205,000 tonnes to 172,000 tonnes, or 16 percent. Coal shipments suffered as well with volumes dropping to 18,000 tonnes from the reported 32,000 tonnes a year earlier.

Baie des Ha! Ha! is the location of private wharf facilities owned and operated by Alcan Aluminium Limited, and used mainly to receive raw materials for the company's own use. Total traffic at Baie des Ha! Ha! decreased from 4.1 million tonnes to 3.9 million tonnes mainly due to a decline in dry and liquid bulk. Aluminum ores and concentrates which dominate the port traffic were down by 200,000 tonnes, to 3.4 million tonnes, while newsprint experienced very little change in volumes. Petroleum products were not immune to the sluggish environment dropping to

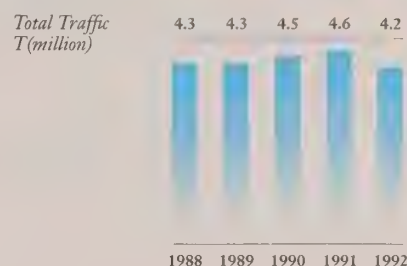
313,000 tonnes after reaching 365,000 tonnes in 1991.

Operating revenue at Port Saguenay amounted to \$1.4 million, a drop of 13 percent due to reduced petroleum product traffic. Operating expenses also fell by seven percent from \$1.4 million in 1991 to \$1.3 million in 1992. Accordingly, operating income decreased to \$73,000 in 1992 down by 71 percent from \$253,000 in 1991. Investment income of \$479,000 in 1992 provided the port with a net income of \$510,000.

At Baie des Ha! Ha!, operating revenue declined from \$170,000 in 1991 to \$161,000 in 1992, down by five percent. Operating expenses increased slightly from \$76,000 to \$84,000 causing the operating profit to drop by 18 percent from \$94,000 to \$77,000 in 1992. Net income was at \$127,000, down by 16 percent from \$151,000 in 1991.



PORT SAGUENAY/BAIE DES HA! HA!



PORT OF SEPT-ÎLES

The Port of Sept-Îles is a deep-water port located on the north shore of the St. Lawrence River, 650 kilometers east of Québec City. It consists of a large natural basin with a water depth of 80 meters or more, open to year-round navigation. Over the years, the port has become a centre for the shipment of iron ore in Canada. It serves the mining industry of Quebec and Labrador, with iron ore accounting for over 90 percent of total traffic. Other bulk traffic includes coal, alumina and its various inputs.

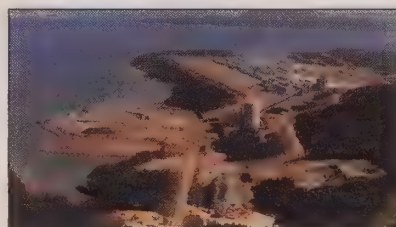
The construction work required to fulfill the commitments to the Alouette aluminum plant is almost complete. At the present time, the silos, conveyor and pneumatic unloader are in operation and the landing stage for the rail ferry and the railway yard are more than 90 percent complete.

The worldwide overcapacity in iron ore production has meant that total shipments from the port fell to their lowest tonnage in a decade. As well, there was no ship-to-ship transfer of coal, which in the past has averaged 750,000 tonnes annually. This resulted in total port traffic sliding to 19 million

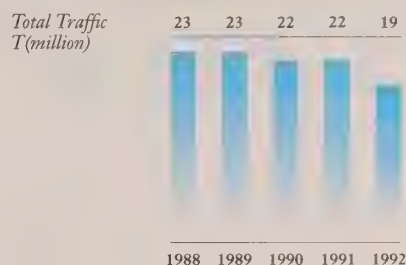
tonnes from the 22 million tonnes handled the previous year.

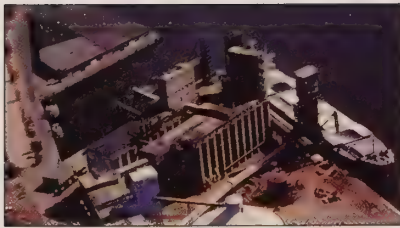
With the start of operations at the Alouette aluminum plant located near port facilities in the Pointe-Noire area, the port benefited from 300,000 tonnes of new cargo including aluminum, alumina, pitch and petroleum coke passing through La Relance wharf in 1992.

Operating revenue rose significantly from \$1.6 million in 1991 to \$6.3 million in 1992 due to revenue generated by the port's new facilities. However, operating expenses also increased by 62 percent from \$2.1 million to \$3.4 million. This is primarily attributable to higher depreciation expense from the new infrastructure. The operating income for 1992 was \$2.9 million, compared to a \$0.5 million loss the previous year. Investment income declined sharply from \$375,000 in 1991 to \$165,000 in 1992, because funds from operations were used to finance part of the construction costs of the capital projects. Interest expense of \$1.6 million has substantially reduced the port's net income to \$1.5 million in 1992 compared to a net loss of \$0.2 million in 1991.

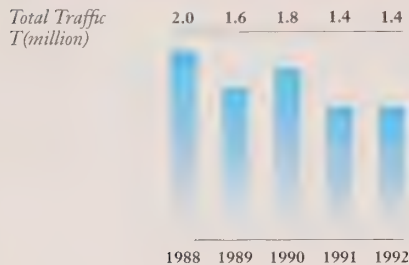


PORT OF SEPT-ÎLES





PORT OF TROIS-RIVIÈRES



PORT OF TROIS-RIVIÈRES

The Port of Trois-Rivières is strategically located halfway between Montréal and Québec City on the north shore of the St. Lawrence River. Exports of paper products and grain account for a major part of the total port traffic. Trois-Rivières is one of the world's largest production centres for newsprint. The port also handles a wide variety of other cargoes including grains, petroleum products, salt and kaolin.

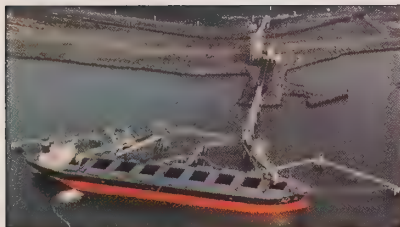
Port activities in 1992 were affected by labor strife during the first four months of the year. This caused a marked slow-down in port operations that was felt throughout the year. Nevertheless, total port traffic increased by one percent over 1991, reaching 1.4 million tonnes.

Dry bulk cargo increased 23 percent to 1.1 million tonnes. Petroleum products and chemicals decreased to 288,000 tonnes from the 388,000 tonnes recorded the previous year. The general

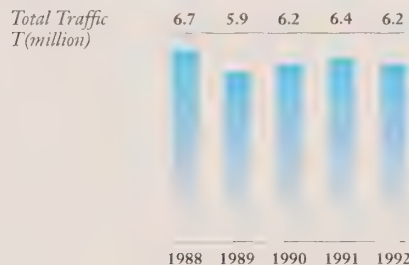
cargo category was hardest hit, reaching only 24,000 tonnes, a decline of 79 percent from 117,000 tonnes in 1991.

In 1992, 199 ships called at the Port of Trois-Rivières, an increase of 8.7 percent over 1991. Other highlights from 1992 include: Aluminerie Lauralco's calcinated coke and alumina transshipment terminal was completed and able to supply the Deschambault aluminum smelter with raw materials; Dow Chemical constructed a first-rate distribution centre that will be used to ship caustic products by rail in Trois-Rivières.

Operating revenue was at \$1.8 million, a drop of \$0.2 million or 10 percent over 1991. This is primarily due to lower rental revenues. Operating expenses increased slightly by \$0.1 million to \$2.4 million. Thus, operating loss for 1992 at \$654,000 showed a rise of 80 percent over 1991 operating loss of \$363,000, while net income dropped by \$0.4 million to \$0.1 million in 1992.



RIDLEY TERMINALS INC.



RIDLEY TERMINALS INC.

Ridley Terminals Inc. (RTI) is a sophisticated bulk-handling terminal for moving coal from unit trains onto ships. The terminal is located on a 55-hectare site on the northern end of Ridley Island in Prince Rupert, B.C. Bulk carriers have year-round ice-free access to a large natural harbour that is sheltered by a ring of outer islands.

The terminal has a capacity to ship approximately 12 million tonnes of coal a year. Access to the terminal from the main CN North America line is accomplished by means of a three-track, 2,200-meter causeway.

Coal shipments through RTI decreased by 4.6 percent in 1992. This was partially offset by the shipment of 55,000 tonnes of petroleum coke. In total 6.2 million tonnes moved through the facility in 1992, compared with 6.4 million tonnes in 1991.

RTI's financial results were included in the Corporation's reporting

for the full year in 1992 as compared to the five-month period from July 30, 1991 when it became a wholly-owned subsidiary of the Corporation.

The major variances of the RTI's financial results over the two years reflect primarily the additional seven months' operations included in 1992. RTI's operating revenues stood at \$38.3 million in 1992 compared to \$17.2 million for the five-month period in 1991. Its operating expenses amounted to \$10.6 million in 1992 and \$7.4 million in 1991. Consequently, operating income improved significantly to \$27.7 million in 1992, up from \$9.8 million in 1991.

Interest expense amounted to \$15.1 million in 1992 and \$8.7 million in 1991. Heavy financing costs, primarily for the construction of the terminal, has substantially reduced its net income to \$12.9 million for 1992 and to \$1.3 million for the last five months in 1991.

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1992 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of

material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

The financial statements of the Corporation as at December 31, 1991, were audited by other auditors whose report dated February 14, 1992 expressed an unqualified opinion on those statements.



Chartered Accountants

Ottawa, Ontario
February 26, 1993

BALANCE SHEET

1992

1991

As at December 31, 1992

(in thousands of dollars)

ASSETS

Current

Cash	\$ 1,297	\$ 4,547
Short-term investments (Note 4)	17,052	19,298
Accounts receivable	6,685	4,351
Due from Canada	240	187
Materials and supplies	2,548	2,494
	27,822	30,877
Investments (Note 4)	18,282	18,550
Fixed assets (Note 5)	103,111	90,346
	149,215	139,773
Interport Loan Fund — Assets (Note 11)	68,715	45,419
	\$217,930	\$ 185,192

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 6)	\$ 27,152	\$ 30,930
Due to Interport Loan Fund (Note 7)	16,119	15,561
	43,271	46,491
Accrued employee benefits	2,668	1,512
Due to Interport Loan Fund (Note 7)	45,530	25,162
Loan from Canada (Note 8)	581	1,126
Bank loans (Note 9)	177,703	197,788
	269,753	272,079

DEFICIENCY OF CANADA

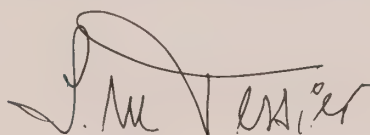
Contributed capital (Note 10)	111,672	111,672
Deficit	(232,210)	(243,978)
	(120,538)	(132,306)
	149,215	139,773
Interport Loan Fund Balance (Note 11)	68,715	45,419
	\$217,930	\$ 185,192

See accompanying notes.

On behalf of the Board:



Arnold E. Masters
Chairman of the Board



Jean Michel Tessier
President and Chief Executive Officer

STATEMENT OF INCOME AND DEFICIT

1992

1991

For the year ended December 31, 1992

(in thousands of dollars)

Revenue from operations	\$ 52,796	\$ 26,723
Operating and administrative expenses (Note 13)	18,457	16,355
Depreciation	4,897	3,313
Municipal grants and taxes	2,776	1,547
	26,130	21,215
Income from operations	26,666	5,508
Investment income	3,502	4,041
Interest expense	(18,370)	(9,487)
Income before undernoted	11,798	62
Loss on acquisition of Ridley Terminals Inc. (Note 3)	—	(255,926)
Net income (loss) for the year	11,798	(255,864)
Retained earnings (deficit) at beginning of the year	(243,978)	12,060
Dividend to Canada	(30)	(174)
Deficit at end of the year	\$ (232,210)	\$ (243,978)

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1992

1991

For the year ended December 31, 1992

(in thousands of dollars)

Operating Activities		
Net income (loss) for the year	\$ 11,798	\$ (255,864)
Items not affecting cash		
Depreciation	4,897	3,313
Loss on acquisition of RTI	—	255,926
Deferred interest	1,643	689
Other	1,092	90
Unamortized interest charges	—	(487)
Net change in non-cash components of working capital	(3,995)	362
Cash provided by operating activities	15,435	4,029
Financing Activities		
Capital grants	12,752	32,444
Change in due from Canada	187	849
Transfers from Interport Loan Fund	19,662	35,978
Repayment of transfers from Interport Loan Fund	(250)	—
Repayment of loans from Canada	(581)	(93)
Repayment of bank loans	(17,290)	(15,250)
Amount due to Canada	—	(10,220)
Contribution from Canada	—	58,474
Dividend paid to Canada	(30)	(174)
Cash provided by financing activities	14,450	102,008
Investing Activities		
Additions to fixed assets	(30,486)	(63,128)
Change in construction payables	(5,299)	2,865
Investment in RTI - net of cash acquired of \$ 4,993	—	(53,481)
Other	404	2,282
Cash required by investing activities	(35,381)	(111,462)
Decrease in cash and short-term investments	(5,496)	(5,425)
Cash and short-term investments at beginning of the year	23,845	29,270
Cash and short-term investments at end of the year	\$ 18,349	\$ 23,845

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

1. CANADA PORTS CORPORATION ACT

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act* (the Act), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct responsibility for operating eight divisional ports and has a wholly-owned subsidiary Ridley Terminals Inc. (RTI), a coal terminal facility in Prince Rupert. The Act provides for the establishment of local port corporations to manage and operate additional selected ports. The Act also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial statements: The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see Note 11).

(b) Investments: The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(c) Fixed assets: Fixed assets are recorded at cost, with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation of fixed assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets. The cost of RTI's coal terminal facility is being depreciated, following a write-down at December 31, 1990, using the straight-line method over its remaining useful life to December 31, 2015.

(d) Pension costs: Permanent employees of the Corporation are covered by the Public Service Superannuation Plan, which is a contributory defined-benefit pension plan administered by Canada. However, employees of RTI, a wholly-owned subsidiary, are covered by a non-contributory defined-benefit plan.

(e) Municipal grants and taxes: The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(f) Employee benefits: The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(g) Revenue recognition: Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50% of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's coal shippers have guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized at the end of the coal year when the amount of shortfall revenue is known.

3. ACQUISITION OF RIDLEY TERMINALS INC.

Ridley Terminals Inc. operates a coal terminal facility on Ridley Island in Prince Rupert, British Columbia and was previously owned 50% by the Corporation. The investment in RTI was formerly recorded in the financial statements on the cost basis at a nominal value.

The Corporation purchased from an unrelated party the remaining 50% ownership in RTI on July 30, 1991 and RTI became a wholly-owned subsidiary of the Corporation. The share purchase was paid in cash and was fully financed by Canada.

The acquisition was accounted for by the purchase method, and the results of the RTI's operations from the date of acquisition were included in the statement of income and deficit.

Net assets acquired were as follows:

(in thousands of dollars)

Total assets	\$ 31,639
Total liabilities	229,090
	(197,451)
Purchase price	58,475
Excess of purchase price over net liabilities assumed	
— Loss on acquisition of Ridley Terminals Inc.	\$255,926

4. INVESTMENTS

Short-term investments consist of \$17,052,000 of Canada treasury bills (1991 — \$19,298,000 of which \$3,878,000 were of other money market securities). As at December 31, 1992 and 1991, the market value of the short-term investments approximates their amortized cost.

Long-term investments of \$18,282,000 (1991 — \$18,550,000) are Canada bonds and as at December 31, 1992, their market value is \$22,088,000 (1991 — \$22,541,000).

5. FIXED ASSETS

1992

1991

(in thousands of dollars)

(a) Summary

	Depreciation rates %	Cost or appraised value	Accumulated depreciation	Net	Net
Land	—	\$ 4,931	\$ —	\$ 4,931	\$ 4,931
Dredging	2.5-6.7	9,489	6,990	2,499	2,825
Berthing structures	2.5-10	34,474	19,829	14,645	15,375
Buildings	2.5-10	31,906	13,288	18,618	3,765
Coal terminal facility	4-33	22,540	1,488	21,052	21,733
Utilities	3.3-10	4,642	1,909	2,733	1,203
Roads and surfaces	2.5-10	4,108	2,470	1,638	1,643
Machinery and equipment	5-100	27,857	18,544	9,313	2,745
Office furniture and equipment	20	3,874	2,895	979	910
Works under construction	—	26,703	—	26,703	35,216
		\$170,524	\$ 67,413	\$103,111	\$ 90,346

(b) **Capital grants:** During the year, the Corporation received capital grants towards the construction of fixed assets totalling \$12,752,000 (1991 — \$32,444,000).

(c) **Commitments:** Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$1,440,000 of which most will be expended in the year ending December 31, 1993.

The Corporation leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are deferred revenues of \$3,146,000 (1991 — \$1,183,000) and current portion of long-term loans of \$13,834,000 (1991 — \$11,075,000).

7. DUE TO INTERPORT LOAN FUND

1992

1991

(in thousands of dollars)

The Interport Loan Fund has provided long-term financing for two capital projects of ports under the administration of the Corporation. It has also provided short-term financing to the Corporation for the interim financing of RTI's operations.

(a) Transfers to the Port of Belledune bearing interest at 7.96% to 11.47% and accrued interest of \$2,438,000, repayable in twenty blended annual instalments of principal and interest of \$2,676,000 commencing December 31, 1993 and maturing December 31, 2012	\$ 23,425	\$ 12,512
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91% to 9.20%, repayable primarily in twenty blended annual instalments of principal and interest of \$2,560,000 and maturing December 31, 2011	23,042	12,900
(c) Transfers to RTI bearing interest at 5.36% and 7.44% and accrued interest of \$182,000, repayable with interest in 1993	15,182	15,311
	61,649	40,723
Less: Current portion	(16,119)	(15,561)
	\$ 45,530	\$ 25,162

Principal repayment requirements over the next five years amount to \$15,937,000 in 1993, \$1,023,000 in 1994, \$1,117,000 in 1995, \$1,219,000 in 1996 and \$1,331,000 in 1997.

8. LOAN FROM CANADA

1992

1991

(in thousands of dollars)

Loan bearing interest at 6.44% repayable in twenty blended annual instalments of principal and interest of \$106,000 and maturing on December 31, 2000

	\$ 645	\$ 1,226
Less: Current portion	(64)	(100)
	\$ 581	\$ 1,126

Principal repayment requirements over the next five years amount to \$64,000 in 1993, \$68,000 in 1994, \$73,000 in 1995 and \$77,000 in 1996 and \$82,000 in 1997.

9. BANK LOANS

1992

1991

(in thousands of dollars)

The Corporation's subsidiary RTI has two long-term financing agreements with a major Canadian bank as follows:

(a) Term loan repayable in specified semi-annual instalments commencing July 31, 1991 through January 31, 2000. Interest is at the bank's prime rate, payable monthly.	\$ 191,473	\$ 194,013
(b) Term loan repayable in specified semi-annual instalments commencing July 31, 1991. Interest was at the bank's prime rate plus 3/8% per annum, payable monthly.	—	14,750
	191,473	208,763
Less: Current portion	(13,770)	(10,975)
	\$ 177,703	\$ 197,788

Under the loan agreements, the Corporation may utilize bankers' acceptances as all or part of the borrowing.

Loan agreement (a) is guaranteed unconditionally by Canada to a maximum of \$230 million, and a \$250 million subordinate fixed and floating charge collateral demand debenture is pledged as security. Loan agreement (b) has a \$350 million first fixed and floating charge collateral demand debenture, with the coal terminal facility and the lease from Prince Rupert Port Corporation pledged as security therefore.

Principal repayment requirements over the next five years amount to \$13,770,000 in 1993, \$21,027,000 in 1994, \$21,027,000 in 1995, \$26,284,000 in 1996 and \$31,541,000 in 1997.

In 1992, Canada approved RTI's strategic plan to restructure and reduce its indebtedness. The plan includes primarily a replacement of the existing bank loans with new debt financing in 1993, with a guarantee up to \$230 million by Canada and a provision of additional equity of up to \$25 million from Canada.

10. CONTRIBUTED CAPITAL

1992

1991

(in thousands of dollars)

The *Canada Ports Corporation Act* provides that the net revenues from each port under the administration of the Corporation are to be retained for the use of the respective port. Fund transfers between ports can be authorized by the Minister of Transport.

During the year, the Minister of Transport directed the Corporation to transfer an equal amount of funds from each of five divisional ports to Port of Churchill to provide for the latter's 1992 cash shortfall. An amount of \$1,225,000 was transferred in 1992 to Port of Churchill.

In 1991, Canada contributed \$58,474,000 to the Corporation for the purchase of the remaining shares of RTI.

Balance at beginning of the year	\$ 111,672	\$ 53,198
Contribution from Canada	—	58,474
Balance at end of the year	\$ 111,672	\$ 111,672

11. INTERPORT LOAN FUND

1992

1991

(in thousands of dollars)

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations. Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Earnings of the Fund are pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established. However, as directed by Canada, the Fund also transferred \$15 million in 1991 to the Corporation to provide interim financing to RTI.

The balance sheet of the Fund as at December 31 shows:

Assets		
Current		
Cash and investments	\$ 5,521	\$ 4,696
Transfers receivable	16,119	15,561
Loans receivable	72	—
	21,712	20,257
Transfers receivable	45,530	25,162
Loans receivable	3,428	—
Allowance for doubtful accounts	(1,955)	—
	\$ 68,715	\$ 45,419
Liabilities		
Current		
Accounts payable	\$ —	\$ 25
Fund Balance		
Contributions from Canada	\$ 56,650	\$ 36,650
Retained earnings	12,065	8,744
	\$ 68,715	\$ 45,394
	\$ 68,715	\$ 45,419

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1992 and 1991, the market value of the investments approximates their amortized cost.

In 1992, the Fund advanced \$19.7 million to divisional ports and \$3.5 million to a local port corporation for their respective capital projects. During the year, Canada invested \$20 million in the Fund.

The Fund is committed to provide financing of \$22.5 million for financially viable capital projects of divisional ports and a local port corporation over the next two years. As at December 31, 1992, Canada is committed to invest an additional \$20 million.

The statement of income and retained earnings of the Fund is as follows:

	1992	1991
	(in thousands of dollars)	
Interest income	\$ 5,376	\$ 3,430
Allowance for doubtful accounts	(1,955)	—
Administrative expenses	(100)	(100)
Net income for the year	3,321	3,330
Retained earnings at beginning of the year	8,744	5,414
Retained earnings at end of the year	\$ 12,065	\$ 8,744

12. PENSION PLANS

The annual contributions to the Public Service Superannuation Plan represent the liability of the Corporation for the contributory plan and are recognized in the accounts on a current basis.

As at December 31, 1992, the updated actuarial reports of the non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to \$3,201,000 (\$2,737,000 — 1991) and the value of the pension fund assets, at market value, amounts to \$3,745,000 (\$3,342,000 — 1991). The pension expense for 1992 of \$380,000 (\$132,000 — 1991) is actuarially determined.

13. RELATED PARTY TRANSACTIONS

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and crown corporations.

In accordance with the *Canada Ports Corporation Act*, operating and administrative costs incurred by the Corporation in the amount of \$8,250,000 have been recovered from the local port corporations in 1992 (1991 — \$7,523,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of \$1,973,000 (1991 — \$1,944,000) charged by a local port corporation. At December 31, 1992, \$194,000 (1991 — \$4,346,000) of rental costs are included in accounts payable and accrued liabilities.

Investment income of \$3,323,000 (1991 — \$3,845,000) was earned on Government of Canada securities and interest charges of \$87,000 (1991 — \$100,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 4, 5(b) and 9.

14. CONTINGENCIES

Claims aggregating approximately \$2,689,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.



Halifax Port Corporation



Total Traffic T (million)



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

We are pleased to report on the operating results and activities of the Halifax Port Corporation for the year ended December 31, 1992.

During the year, the port engaged the services of Mercer Management Consultants to assist management in preparing a new Long-Term Strategic Plan. The many changes occurring in the transportation industry affecting ports and the prospect that the pace of change will quicken in the future, made it essential for the port to review its long-term strategies. The Plan confirmed that containerized cargo will continue to play the major role in the future of the port, but research also identified other areas of opportunity that should be pursued.

During the past few years, Halifax has experienced a marked increase in the number of cruise vessel calls. Contributing factors to this increase include more aggressive marketing by the port, growth in the cruise industry, and recognition by the lines that Halifax is an attractive port of call. In 1992, there were 44 vessel calls with 30,000 passengers. Confirmed vessel calls for 1993 already stand at 53, a 20 percent increase over the previous year, with an estimated 35,000 passengers.

In 1992, progress was made towards the attainment of the port's objectives which include regaining cargo previously diverted from the port, expanding its cruise business and preparing for the challenges in the year 2000 and beyond.

The port has taken the lead role in the Advantage Canada initiative at Halifax and will actively promote its goals of improved productivity and higher standards of quality in the delivery of transportation services through Canadian gateways.

A number of initiatives have been undertaken recently at the Port of Halifax to improve its competitiveness. Among these is the double-stack rail service that commenced in late 1991 and expanded in 1992, resulting in lower costs for inland rail movements. Another is the recent introduction of an electronic data interchange system enabling port customers to reduce their administration and operating costs while improving efficiency.

Over the past ten years, the port's capital expenditures totalled \$41.2 million. In 1992, proposed major projects were deferred and capital expenditures were held at \$4 million pending the completion of the Long-Term Strategic Plan.

Total port cargo was 14.0 million tonnes, down by 6.6 percent from the previous year. Imports and exports of crude and refined oil totalled 8.3 million tonnes, down five percent from the previous year. Exports of gypsum totalled 2.5 million tonnes, up by 18 percent from the previous year.

Containerized cargo volumes in 1992 fell by 20 percent to 2.5 million tonnes, compared with the tonnage of the previous year. The drop in volumes reflects the full impact of the container business that left the port at various times throughout 1991, though this was partially offset by the startup of two new services in 1992.

Revenue from operations totalled \$10.8 million in 1992, down from \$13.3 million in the previous year. Total operating expenses were \$11.1 million compared with \$12.4 million a year earlier. The drop in revenue was due mainly to the lower cargo volumes. In the face of stiff competition from rival ports, the port did not increase its major tariffs for a second consecutive year. Aggressive cost cutting measures were introduced during the year which included hiring and wage freezes. These cost cutting measures permitted the port to end the year with a net income of \$.038 million in spite of significantly lower revenues. Working capital stood at \$6.8 million at the end of the year, down slightly from the \$7.1 million of a year earlier.

In conclusion, we thank our customers and partners for their support over the past year and assure all stakeholders that we will take the necessary and appropriate action to ensure the continued growth of the port and enhance its reputation as one of the world's great international ports.



*David F. Bellefontaine (left)
and Donald A. Parker*

DONALD A. PARKER
Chairman of the Board

DAVID F. BELLEFONTAINE
President and Chief Executive Officer

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1992, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

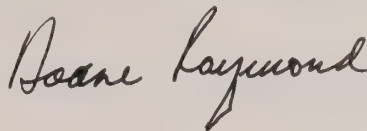
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and

perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis

consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.



Chartered Accountants
Halifax, Nova Scotia
January 29, 1993

BALANCE SHEET

1992

1991

As at December 31, 1992

ASSETS

Current

Cash	\$ 143,483	\$ 122,502
Investments (Note 3)	6,720,669	7,203,581
Accounts receivable	1,977,209	2,825,004
Grants in lieu of municipal taxes	91,409	—
Materials and supplies	61,337	60,414
	8,994,107	10,211,501
Accounts receivable	223,094	226,188
Property and Equipment (note 4)	56,663,804	58,471,490
	\$65,881,005	\$ 68,949,179

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 1,671,230	\$ 1,787,198
Grants in lieu of municipal taxes	—	276,643
Deferred revenues	571,767	556,289
Current portion of long term debt	—	444,629
	2,242,997	3,064,759
Accrued employee benefits	827,828	764,673
Loans from Canada	—	2,269,877
	3,070,825	6,099,309

EQUITY

Contributed capital	50,856,865	50,856,865
Surplus	11,953,315	11,993,005
	62,810,180	62,849,870
	\$65,881,005	\$ 68,949,179

Contingent liabilities (Note 5)
See accompanying notes.

On behalf of the Board:



Donald A. Parker
Chairman of the Board



David F. Bellefontaine
President and Chief Executive Officer

STATEMENTS OF EARNINGS AND SURPLUS

1992

1991

For the year ended December 31, 1992

Revenue from operations	\$10,818,361	\$13,337,637
Operating and administrative expenses	7,963,114	9,433,912
Depreciation	2,170,233	2,120,741
Grants in lieu of municipal taxes	991,647	890,994
	11,124,994	12,445,647
Earnings (loss) from operations	(306,633)	891,990
Investment income	404,049	691,862
Interest expense	(67,677)	(311,871)
Gain on disposal of fixed assets	8,927	11,580
	345,299	391,571
Net earnings before extraordinary income	38,666	1,283,561
Extraordinary item	—	213,716
Net earnings	\$ 38,666	\$ 1,497,277
Surplus, beginning of year	\$11,993,005	\$11,254,968
Net earnings	38,666	1,497,277
Dividend to Canada	(78,356)	(759,240)
Surplus, end of year	\$11,953,315	\$11,993,005

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

1992

1991

For the year ended December 31, 1992

Cash derived from (applied to)		
Operating		
Net earnings before extraordinary item	\$ 38,666	\$ 1,283,561
Depreciation	2,170,233	2,120,741
Other	54,228	112,812
	2,263,127	3,517,114
Change in non-cash operating working capital	365,248	95,603
	2,628,375	3,612,717
Financing		
Decrease (increase) in accounts receivable	43,094	(266,188)
Increase (decrease) in accounts payable	13,082	(300,526)
Loans from Canada	(2,714,506)	(404,209)
Dividend to Canada	(78,356)	(759,240)
Contributions to Canada	—	(1,470,000)
	(2,736,686)	(3,200,163)
Investing		
Extraordinary gain on sale of land	—	213,716
Additions to property and equipment	(362,547)	(1,934,696)
Proceeds on disposal of assets	8,927	49,605
	(353,620)	1,671,375
Net decrease in cash and short-term investments	(461,931)	(1,258,821)
Cash and short-term investments, beginning of year	7,326,083	8,584,904
Cash and short-term investments, end of year	\$ 6,864,152	\$ 7,326,083

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of Halifax to Halifax Port Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments: The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets: Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets. Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs: All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes: The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits: The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

1992

1991

	Amortized Cost	Face Value	Amortized Cost	Face Value
Short Term	\$ 6,720,669	\$ 6,827,100	\$ 7,203,581	\$ 7,334,200

4. PROPERTY AND EQUIPMENT

1992

1991

	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$ 24,547,627	\$ —	\$ 24,547,627	\$ 24,547,627
Dredging	2.5–6.7%	3,443,290	2,445,560	997,730	1,045,448
Berthing structures	2.5–10%	35,120,246	20,248,349	14,871,897	15,456,352
Buildings	2.5–10%	18,781,265	12,162,079	6,619,186	6,975,169
Utilities	3.3–10%	6,127,827	2,884,444	3,243,383	3,351,381
Roads and surfaces	2.5–10%	8,481,260	5,423,109	3,058,151	3,541,156
Machinery and equipment	5–100%	9,910,990	6,852,719	3,058,271	3,346,277
Office furniture and equipment	20%	1,240,093	1,046,158	193,935	203,893
Projects under construction		73,624	—	73,624	4,187
		\$107,726,222	\$ 51,062,418	\$ 56,663,804	\$ 58,471,490

5. CONTINGENT LIABILITIES

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has not quantified an amount. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

BOARD OF DIRECTORS

Donald A. Parker*

Chairman
Businessman
Dartmouth, N.S.

Paul M. Murphy, Q.C.*

Vice-Chairman
Partner — Patterson Kitz
Halifax, N.S.

George H. Briand**

Halifax Longshoremens' Association
I.L.A. Local 269
Halifax, N.S.

Captain Ernest A. Coates**

Retired Marine Superintendent
Esso Petroleum Canada
Dartmouth, N.S.

Lois A. Glibbery**

Property Marketing Specialist —
Royal LePage Real Estate Services Ltd.
Dartmouth, N.S.

Harald A. Norve*

President — H. A. Norve & Associates Ltd.
Halifax, N.S.

Graham L. Thomas**

President — Graham Thomas Agencies Ltd.
Halifax, N.S.

* Executive Committee

** Audit Committee

OFFICERS OF THE CORPORATION

Donald A. Parker

Chairman

Paul M. Murphy, Q.C.

Vice-Chairman

David F. Bellefontaine

Port Manager, President
and Chief Executive Officer

Lorraine E. Brenton

Corporate Secretary

Claude L. Ball

Senior Vice-President
and Chief Operating Officer

Richard T. Pentland

Vice-President, Engineering and Works

Dennis W. Creamer

Vice-President, Finance and Real Property

Robert A. Kaye

Vice-President, Marketing

Peter J. MacKeigan

Chief Legal Officer



Total Traffic T (million)



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Hit hard once again by the recession, along with a reduction in grain exports and merciless competition, the Port of Montréal handled 17.5 million metric tonnes of cargo in 1992, the same amount as the previous year. Petroleum products traffic increased to 5.1 million tonnes in 1992, up 600,000 tonnes or 12.6 percent. The increase was due to inventory adjustments. The recession, however, kept this traffic well below its usual six or seven million tonnes.

Grain traffic totalled 1.9 million tonnes, a decrease of 500,000 tonnes or 20.4 percent. This decline was mainly attributable to a decrease in exports, a disappointing harvest and less inward movements of grain for the local market.

Other dry and liquid bulk traffic rose to a total of four million tonnes, an increase of 400,000 tonnes or 13.3 percent. Traffic in this sector, however, was still far from the five-million tonne mark reached prior to the recession.

General cargo traffic totalled 6.5 million tonnes, a decrease of 500,000 tonnes or 7.6 percent. This decline was attributable solely to the decrease in non-containerized general cargo, which dropped by 500,000 tonnes or 42.7 percent to total 700,000 tonnes. The recession, which led to a decrease in the export of steel products by hitting hard industries such as construction and automobile manufacturing, was the main reason for the decrease.

Containerized cargo maintained its record level of 5.8 million tonnes in 1992 despite the recession. Moreover, this traffic increased 6.8 percent throughout the second half of the year.

In 1992, revenue from operations totalled \$53.3 million and net income from operations was \$900,000. Net income amounted to \$5 million including net investment income of \$4.1 million.

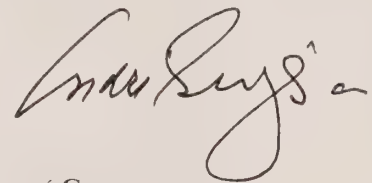
We are pleased to inform the shareholder that Montréal Port Corporation has succeeded in meeting its main objectives and has taken a series of measures to emerge from the recession and battle increased competition. Among these measures is a freeze of all general tariffs for 1993 and the enhancement of the port's tariff incentive program for containerized cargo.

The Corporation continues to make cost control one of its top priorities in order to be able to provide efficient services and facilities, set tariffs that take into account competition and the capability of its clients to pay, and be financially self-sufficient so as not to be a burden on the taxpayer.

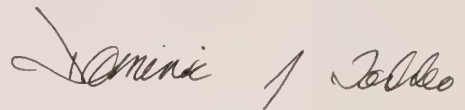
The Corporation has succeeded in doing this, even in these difficult times. In fact, from 1986 to 1992 inclusively, the Corporation's operating and administrative expenses increased only 2.9 percent, compared with an inflation rate in Canada of 24 percent over the same period.

Furthermore, the Corporation's regional gateway council, formed within the framework of Advantage Canada, an initiative to promote the greater use of Canadian transportation routings, will touch on all aspects of the Port of Montréal system's competitiveness. In fact, the council will be an enlarged version of the port users' committee that the port created in 1988 and which has worked to provide exporters and importers with services that are more economical, more reliable, faster and better than those of its competitors.

The Corporation wishes to thank all industries and labor who are involved in the intermodal chain that makes up the Port of Montréal system, for their tireless efforts which continue to make the Port of Montréal Canada's number one container port and a leader on the North Atlantic.



ANDRÉ GINGRAS
Chairman of the Board



DOMINIC J. TADDEO
President and Chief Executive Officer



*Dominic J. Taddeo (left)
and André Gingras*

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Montreal Port Corporation as at December 31, 1992 and the statements of earnings, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and

perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and bylaws of the Corporation.

Sauveur Bélair
Deloitte & Touche

Chartered Accountants
Montréal, Quebec
February 5, 1993

BALANCE SHEET

As at December 31, 1992

1992

1991

(in thousands of dollars)

CURRENT ASSETS

Cash	\$ 464	\$ 310
Investments (Note 4)	17,276	12,702
Accounts receivable	10,710	9,870
Materials and supplies	871	893
	29,321	23,775
Investments in a business held for resale (Note 3)	2,636	3,536
Long-term investments (Note 4)	27,317	27,177
Fixed assets (Note 5)	161,404	162,055
Deferred costs	591	—
Other assets	1,617	1,779
	\$222,886	\$ 218,322

CURRENT LIABILITIES

Accounts payable and accrued liabilities (Note 6)	\$ 7,682	\$ 6,687
Grants in lieu of municipal taxes	2,039	778
	9,721	7,465
Accrued employee benefits	3,862	4,693
Loans from the government of Canada (Note 7)	4,662	5,181
	18,245	17,339

EQUITY OF THE GOVERNMENT OF CANADA

Contributed capital	158,919	158,919
Retained earnings	45,722	42,064
	204,641	200,983
	\$222,886	\$ 218,322

Approved by the Board:

André Gingras
André Gingras
Chairman of the Board

Dominic J. Taddeo
Dominic J. Taddeo
President and Chief Executive Officer

STATEMENT OF EARNINGS

1992

1991

For the year ended December 31, 1992

(in thousands of dollars)

Revenue from operations	\$ 53,291	\$ 53,601
Operating and administrative expenses	37,616	37,909
Depreciation of fixed assets	10,254	10,648
Grants in lieu of municipal taxes	4,571	3,823
	52,441	52,380
Earnings from operations	850	1,221
Investment revenue	4,131	5,009
Interest expense	—	(383)
	4,131	4,626
Earnings before the following item	4,981	5,847
Adjustment of grants in lieu of municipal taxes from previous years	—	2,294
Net earnings	\$ 4,981	\$ 8,141

STATEMENT OF RETAINED EARNINGS

1992

1991

For the year ended December 31, 1992

(in thousands of dollars)

Balance, beginning of year	\$ 42,064	\$ 36,618
Net earnings	4,981	8,141
Dividends	(1,323)	(2,695)
Balance, end of year	\$ 45,722	\$ 42,064

STATEMENT OF CHANGES IN FINANCIAL POSITION

1992

1991

For the year ended December 31, 1992

(in thousands of dollars)

Operating activities		
Net earnings	\$ 4,981	\$ 8,141
Items not affecting cash		
Depreciation of fixed assets	10,254	10,648
Amortization of deferred costs	20	—
Profit on disposal of fixed assets	(112)	(364)
	15,143	18,425
Changes in non-cash operating working capital items (Note 8)	1,407	(3,286)
	16,550	15,139
Financing activities		
Repayment of current portion of loans from the government of Canada	(488)	(460)
Decrease in accrued employee benefits	(831)	(598)
Dividends paid	(1,323)	(2,695)
Special contribution to the government of Canada	—	(12,325)
	(2,642)	(16,078)
Investing activities		
Decrease in investments in a business held for resale	900	62
Decrease (increase) in long-term investments	(140)	5,750
Acquisition of fixed assets (net in 1991)	(9,624)	(7,012)
Disposal of fixed assets	133	—
Decrease (increase) in other assets	162	(1,323)
Increase in deferred costs	(611)	—
	(9,180)	(2,523)
Net cash inflow (outflow)	4,728	(3,462)
Cash position, beginning of year	13,012	16,474
Cash position, end of year	\$ 17,740	\$ 13,012
Represented by:		
Cash	\$ 464	\$ 310
Short-term investments	17,276	12,702
	\$ 17,740	\$ 13,012

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

1. STATUS AND NATURE OF ACTIVITIES

tabular amounts only are in thousands of dollars.

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same Act, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments in a business held for resale: In 1990, the Corporation, and a subsidiary created for this purpose, acquired a business operating a harbour in Contrecoeur. Since the date of acquisition, the Corporation has intended to resell the assets of this business, other than the land, which are held by the subsidiary.

In accordance with generally accepted accounting principles, the Corporation does not include its investment in the subsidiary in the consolidation. As a result, the investment is presented at the lower of cost and estimated net realizable value.

Investments: Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies: Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets: Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs: The deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs: All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes: Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits: The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. INVESTMENTS IN A BUSINESS HELD FOR RESALE

1992

1991

Common shares	\$ 1	\$ 1
Advances, without terms of repayment	2,635	3,535
	\$ 2,636	\$ 3,536

4. INVESTMENTS

Funds are invested in direct and guaranteed securities of the government of Canada. As at December 31, 1992, the market value of the short-term investments is equivalent to their amortized cost, and the market value of long-term investments is \$32,616,808 (\$32,645,919 in 1991).

5. FIXED ASSETS

1992

1991

	Depreciation rates	Cost	Accumulated depreciation	Net book value	Net book value
Land	—	\$ 42,245	\$ —	\$ 42,245	\$ 38,585
Dredging	2.5% – 10.0%	16,178	13,505	2,673	2,957
Berthing structures	2.5% – 10.0%	60,573	43,215	17,358	18,028
Buildings	2.5% – 10.0%	69,873	35,749	34,124	35,970
Utilities	3.3% – 10.0%	19,567	9,851	9,716	10,150
Roads and surface	2.5% – 10.0%	66,616	25,762	40,854	40,403
Machinery and equipment	5.0% – 33.3%	59,274	46,580	12,694	14,545
Office furniture and equipment	20.0% – 33.3%	5,034	3,504	1,530	1,412
		339,360	178,166	161,194	162,050
Projects under construction		210	—	210	5
		\$339,570	\$178,166	\$161,404	\$ 162,055

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

1992

1991

Current portion of loans from the government of Canada	\$ 519	\$ 488
Deferred revenue	152	523
Other	7,011	5,676
	\$ 7,682	\$ 6,687

7. LOANS FROM THE GOVERNMENT OF CANADA

1992

1991

Loans, 6.25%, payable to 2000 in annual instalments of \$842,561 including interest	\$ 5,181	\$ 5,669
Current portion	519	488
	\$ 4,662	\$ 5,181

Principal repayment requirements over the next five years amount to:

1993	\$ 518,765
1994	551,187
1995	585,636
1996	622,238
1997	661,128

8. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

1992

1991

Accounts receivable	\$ (840)	\$ 1,614
Materials and supplies	22	36
Accounts payable and accrued liabilities	964	(2,744)
Grants in lieu of municipal taxes	1,261	(2,192)
	\$ 1,407	\$ (3,286)

9. CONTINGENCIES

Claims aggregating approximately \$2,500,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

10. COMMITMENTS

a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at \$1,830,000.

b) In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation would be required to pay a dividend, in respect of the 1991 and 1992 fiscal years, based on a method of calculation using net earnings. This dividend, payable before March 31, 1993 would amount to \$688,142 for 1991 and to approximately \$1,100,000 for 1992 and would be applied against retained earnings.

c) The Canadian government has required the Corporation an additional contribution of \$5,000,000 payable before March 31, 1993.

11. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties, including the business held for resale, Canada and its agencies and other Crown corporations.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges and rental revenue and management fees. The expenses paid to related parties are principally administration fees.

BOARD OF DIRECTORS

André Gingras *
Chairman
Chairman of the Board
André Gingras & associés Inc.
Westmount, Que.

Bernard J. Finestone *
Vice-Chairman
President, Finestone & Son Ltd.
Westmount, Que.

Roger Bishop
Longshoremen's Union
CUPE/Local 375
Brossard, Que.

Suzanne Brochu
Director, Information and Public Affairs
Caisse de dépôt et placement du Québec
Montréal, Que.

Raphaël Esposito *
Notary
Esposito, Esposito & associés
Montréal, Que.

Réjean Gagné
President
Famcorp Inc.
Montréal, Que.

Hubert F. Pichet
Lawyer
Deveau, Lavoie & associés
Laval, Que.

* Members of the Executive Committee

OFFICERS OF THE CORPORATION

André Gingras
Chairman

Dominic J. Taddeo
President and Chief Executive Officer

Roger Dubé
Vice-President, Administration

Normand Fillion
Vice-President, Marketing

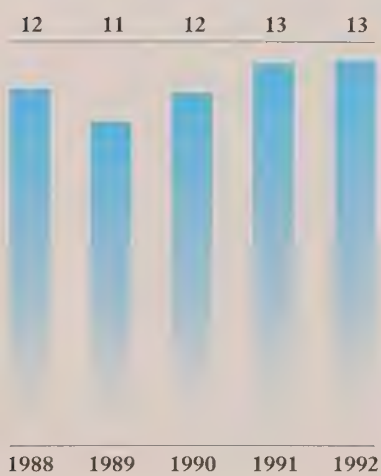
Michel L. Lesage
Vice-President, Operations

Jean Mongeau
Corporate Secretary

Sylvie Vachon
Director of Human Resources



Total Traffic T (million)



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER

The Prince Rupert Port Corporation is pleased to report activities and results for fiscal year, 1992.

During 1992, the port strengthened its efforts to increase cargo throughput through diversification and identification of new market opportunities. Throughout the year, the port management team worked aggressively with all parties concerned to increase terminal efficiencies and traffic through the port. As a result of this effort, the port was able to secure a pulp handling contract and the first pulp shipment moved over Fairview Terminal in August of this year. It is hoped that this contract will assist in the attraction of other potential customers during the coming year. Several other new cargo opportunities have been identified and the port continues to work closely with

customers, terminal operators and the railway to bring these opportunities to fruition. A further initiative taken by the port during 1992 was the opening of its first international marketing office. The representative in Portland, Oregon will be working with the port on a new venture to seek partnerships and opportunities with businesses in Alaska and the US Pacific northwest.

In addition to concentrating on cargo opportunities, the port has continued to build positive public and community relations through open dialogue with the municipal government and local community organizations. One significant example of the success in this area is the port's acquisition of the Alaska Ferry Terminal property, and subsequent lease to the City of Prince Rupert to enable the City to build a new terminal facility for use by the Alaska Marine Highway System. This action by the port has ensured that adequate facilities are available for the movement of ferry passengers to and from Alaska through the Port of Prince Rupert.

Total throughput at the Port of Prince Rupert in 1992 totalled 13.37 million tonnes, falling short

of the 1987 record tonnage of 13.4 million tonnes by only 36,752 tonnes. This year's total throughput is an 8.5 percent increase over the 1991 results. Grain shipments through the Prince Rupert Grain Limited terminal located on Ridley Island reached record levels of 5.3 million tonnes. Coal shipments through Ridley Island saw a decrease of 3.7 percent during the year. There was continuing market depression in the forest industry which accounted for a slight reduction in woodpulp exports from Skeena Cellulose facility on Watson Island. The problems within the forest industry continued to affect tonnage figures at Fairview Terminal with lumber shipments decreasing by 19 percent over 1991 shipments. However, the new pulp handling contract should help offset this decrease.

The number of ferry passengers through the port decreased in 1992 from 179,998 to 170,449. This includes

passengers travelling to Alaska on the Alaska Marine Highway System ferry and passengers within British Columbia travelling between Port Hardy on Vancouver Island and the northern terminus of Prince Rupert.

The Port of Prince Rupert is pleased to announce its 1992 financial results. Operating revenues show a 6.5 percent decrease to \$13.8 million. Operating income was \$2.039. Net income was \$893,000, which was down 31.4 percent from 1991 total of \$1.3 million.

In accordance with our statutory obligation, it is a pleasure for us to inform the Board of Directors, and the shareholder, that the Corporation made considerable progress in achieving its objectives, and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

In conclusion, the Board of Directors, management and staff would like to thank everyone involved in waterfront activity in Prince Rupert for their effort and dedication during 1992. The management is confident that the challenges of the upcoming year will be met with this continued effort and involvement from local authorities and the shipping industry. With the ongoing support and commitment of the City of Prince Rupert, the Alaska Marine Highway System, and the B.C. Ferry Corporation, the port will continue to expand and develop in order to meet the needs of its new and existing customers.



*Donald H. Seidel (left)
and Donald H. Krusel*

DONALD H. SEIDEL
Chairman of the Board

DONALD H. KRUSEL
*General Manager and
Chief Executive Officer*

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1992 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and

perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the

Financial Administration Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

Peat Marwick Thorne
Chartered Accountants
New Westminster, B.C.
January 29, 1993

BALANCE SHEET

1992

,991

As at December 31, 1992

ASSETS

Current assets:

Cash	\$ 408,569	\$ 152,261
Investments (note 2)	8,998,623	5,734,831
Accounts receivable (note 4)	1,159,303	5,191,425
Materials and supplies	238,297	222,003
	10,804,792	11,300,520
Property and equipment (note 3)	100,693,547	103,075,675
	\$111,498,339	\$114,376,195

LIABILITIES AND EQUITY OF CANADA

Current liabilities:

Accounts payable and accrued liabilities	\$ 337,467	\$ 328,174
Payable to Canada (note 4)	—	3,545,675
Grants in lieu of municipal taxes	735,139	572,283
Deferred revenues	236,423	222,204
Principal due within one year on loans from Canada	365,597	331,659
	1,674,626	4,999,995

Long-term debt:

Recoverable contribution from Canada (note 4)	—	48,300,000
Loans from Canada (note 5)	16,181,742	16,547,339
	16,181,742	64,847,339

Equity of Canada:

Contributed capital (note 4)	79,611,805	31,311,805
Surplus	14,030,166	13,217,056
	93,641,971	44,528,861
	\$111,498,339	\$114,376,195

Commitments (note 6)

See accompanying notes.

Approved by the Board:



Donald H. Seidel
Chairman of the Board



Dolores D. MacIntosh
Vice-Chairman of the Board

STATEMENT OF EARNINGS AND SURPLUS

1992

1991

For the year ended December 31, 1992

Revenue from operations	\$ 13,709,376	\$ 14,752,698
Expenses:		
Operating and administrative	8,537,093	9,338,810
Depreciation	2,484,172	2,389,763
Grants in lieu of municipal taxes	659,564	582,910
	11,680,829	12,311,483
Earnings from operations	2,028,547	2,441,215
Other earnings (expense):		
Interest	595,447	623,206
Gain on disposal of property and equipment	—	1,025
Interest expense	(1,730,580)	(1,762,410)
	(1,135,133)	(1,138,179)
Net earnings	893,414	1,303,036
Surplus, beginning of year	13,217,056	12,162,050
	14,110,470	13,465,086
Dividend to Canada	80,304	248,030
Surplus, end of year	\$ 14,030,166	\$ 13,217,056

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1992

1991

For the year ended December 31, 1992

Cash provided by (used in):		
Operations:		
Net earnings	\$ 893,414	\$ 1,303,036
Items not involving cash:		
Depreciation	2,484,172	2,389,763
Gain on disposal of property and equipment	—	(1,025)
Changes in non-cash operating working capital:		
Accounts receivable	4,032,122	(2,963,851)
Materials and supplies	(16,294)	(12,388)
Accounts payable and accrued liabilities	9,293	45,534
Grants in lieu of municipal taxes	162,856	130,886
Deferred revenues	14,219	21,200
	7,579,782	913,155
Financing:		
(Decrease) increase in payable to Canada	(3,545,675)	1,371,105
Decrease in loans from Canada	(331,659)	(300,873)
Dividend to Canada	(80,304)	(248,030)
Decrease in recoverable contribution from Canada	(48,300,000)	—
Increase in contributed capital	48,300,000	—
	(3,957,638)	822,202
Investment:		
Purchase of property and equipment	(102,044)	(1,440,846)
Proceeds on disposal of property and equipment	—	1,025
	(102,044)	(1,439,821)
Increase in cash position	3,520,100	295,536
Cash position, beginning of year	5,887,092	5,591,556
Cash position, end of year	\$ 9,407,192	\$ 5,887,092
Cash position is defined as:		
Cash	\$ 408,569	\$ 152,261
Investments	8,998,623	5,734,831
Cash position	\$ 9,407,192	\$ 5,887,092

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

LOCAL PORT CORPORATION

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) **Investments:** The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) **Property and equipment:** Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis on the cost less any grant received, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Assets	Depreciation Rates %
Dredging	5.0
Berthing structures	2.5 – 10.0
Buildings	5.0 – 10.0
Roads and surfaces	3.3 – 10.0
Utilities	5.0 – 10.0
Machinery and equipment	5.0 – 100.0
Office furniture and equipment	20.0 – 33.3

(c) **Pension costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) **Grants in lieu of municipal taxes:** The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) **Employee benefits:** The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. INVESTMENTS

	1992	1991
Amortized cost	\$ 8,998,623	\$ 5,734,831
Market value	\$ 8,993,980	\$ 5,742,975

3. PROPERTY AND EQUIPMENT

3. PROPERTY AND EQUIPMENT			1992	1991
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 64,099,197	\$ —	\$ 64,099,197	\$ 64,099,197
Dredging	306,049	40,521	265,528	281,024
Berthing structures	36,041,597	6,664,602	29,376,995	30,679,703
Buildings	3,720,957	1,213,203	2,507,754	2,778,904
Roads and surfaces	6,573,131	3,701,243	2,871,888	3,361,245
Utilities	2,589,383	1,872,968	716,415	876,742
Machinery and equipment	2,393,951	1,672,275	721,676	910,471
Office furniture and equipment	357,320	304,354	52,966	88,389
Construction in progress	81,128	—	81,128	—
	\$116,162,713	\$ 15,469,166	\$100,693,547	\$103,075,675

4. RECOVERABLE CONTRIBUTION FROM CANADA/CONTRIBUTED CAPITAL

As a result of the construction of the infrastructure for the coal terminal facility on Ridley Island in 1983, a \$48,300,000 recoverable contribution from Canada became payable to the government of Canada.

In November, 1992, as part of the Ridley Terminals Inc. debt restructuring plan, Treasury Board approved the forgiveness to the Corporation of the \$48,300,000 recoverable contribution from Canada. Accordingly, the \$48,300,000 was reclassified to contributed capital in 1992. The above decision is expected to be approved by Parliament in 1993.

In addition, effective November, 1992, the accounts receivable from Ridley Terminals Inc. and payable to Canada of approximately \$5,800,000 respectively, relating to surcharge revenue, were forgiven and thus eliminated from the balance sheet. This adjustment has no impact on the 1992 statement of earnings.

5. LOANS FROM CANADA

1992

1991

Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	\$ 16,547,339	\$ 16,878,998
Less principal included in current liabilities	365,597	331,659
	\$ 16,181,742	\$ 16,547,339

Principal payment requirements over the next five years are as follows:

1993	\$ 366,000
1994	403,000
1995	444,000
1996	490,000
1997	540,000
	\$ 2,243,000

6. COMMITMENTS

(a) The Corporation rents its premises under a long-term operating lease which expires April 30, 1994. The future rent payable to the expiry date is as follows:

1993	\$ 81,264
1994	27,088

(b) At December 31, 1992, the Corporation was committed to acquire a terminal facility for approximately \$1,000,000.

7. RELATED PARTY TRANSACTIONS

(a) During the year, the Corporation recognized lease revenue of \$ 1,939,560 (1991 — \$ 1,810,830) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1992, accounts receivable included \$ 161,014 (1991 — \$ 3,942,465) from Ridley Terminals Inc.

(b) During the year the Corporation paid \$ 688,968 (1991 — \$ 560,668) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1992, accounts payable included \$ 22,608 (1991 — accounts receivable of \$ 40,124) to Canada Ports Corporation.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

BOARD OF DIRECTORS

Donald H. Seidel *
Chairman
Business Manager
Prince Rupert, B.C.

Dolores D. MacIntosh *
Vice-Chairman
Property Manager
Prince Rupert, B.C.

Donald Brown **
Lawyer
Terrace, B.C.

Ronald A. Ciccone **
Agent, Mutual Life of Canada
Prince Rupert, B.C.

Robin Heather
Lawyer
Prince George, B.C.

William B. Hick
Physician (Retired)
White Rock, B.C.

John D. McNish */**
Manager, Credit Bureau of Prince Rupert
Prince Rupert, B.C.

* Executive Committee
** Audit Committee

OFFICERS OF THE CORPORATION

Donald H. Seidel
Chairman

Donald H. Krusel
General Manager and Chief Executive Officer

Joseph Rektor
Manager, Finance and Administration

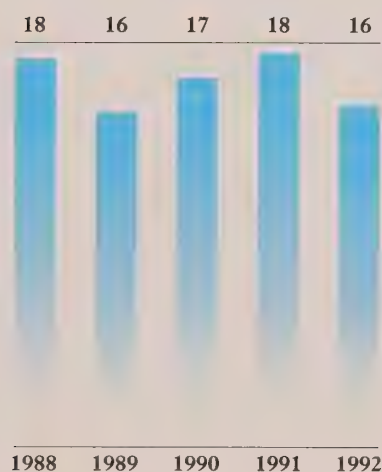
David Shearer
Manager, Engineering and Maintenance

Peter Turner
Manager, Operations/Harbour Master

Heather McLean
Corporate Secretary



Total Traffic T (million)



MESSAGE FROM THE ACTING CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Port of Québec Corporation is pleased to present its annual report on its activities and results for 1992. The difficult economic situation and the marked decline in grain exports through the St. Lawrence meant that 1992 was not an easy year. As a result, the Port of Québec and its business partners have rolled up their sleeves and are endeavoring to make the most of these unfavorable conditions. However, 1992 ended on a positive note since the Port of Québec experienced 40 percent growth in shipments of non-containerized general cargo. The 651,105 tonnes handled this year was the best figure ever for break-bulk cargo in the port's history.

Port management, for its part, made its contribution to on-going

growth in the cargo handled by implementing a new policy on storage sheds six years ago. The main factor, however, has been the quality of the work done by all our partners.

Moreover, almost all the major Canadian and US companies involved in processing forest products, granite, milk, transportation equipment and asbestos have shown their confidence in the Port of Québec and the Corporation thanks them for displaying their support.

As far as the port's overall activities were concerned, the 15.9 million tonnes transshipped in 1992 represents a decline of 14 percent or 2.6 million tonnes over 1991.

The main explanation for this decline is the 2.5 million tonne reduction in grain shipments. The dismal state of grain exports through the St. Lawrence was the result of poor weather conditions on the Prairies and the financial difficulties experienced by countries in the Community of Independent States.

Apart from grain, the only cargo that experienced a steep decline was liquid chemicals which

decreased from 208,000 to 23,000 tonnes.

More than 41,000 cruise passengers visited the Port of Québec last year. In addition, the number of passengers who chose Québec as an embarking or debarkation point quadrupled from 1,084 to 4,346. This was an important gain for the region's economy since these passengers spend two or three times more money in Québec than passengers making a simple call.

In terms of investment, the highlight of 1992 was the construction of the grain cleaning system which will be inaugurated in early 1993. Bunge of Canada, a port partner and operator of the grain silos, invested half of the \$13 million needed for the construction of this terminal.

The decline of \$1.5 million in revenue from grain shipping and \$350,000 in revenue relating to chemical products have been partly

compensated by the \$400,000 in revenues from operations of the sheds. However, on the whole, the revenue from operations suffered a \$1.4 million decrease, going from \$15.7 million in 1991 to \$14.3 million in 1992.

Operating expenditures have remained stable at \$15.3 million, despite the \$600,000 increase in grants in lieu of taxes. Salary expenditures remained stable in comparison with the previous year. Overall, the Port of Québec Corporation recorded an operating loss of \$1 million and a net loss in the same amount.

We are pleased to inform the shareholder that, despite the economic situation, the Port of Québec Corporation has kept and met its main objectives. Québec is an innovative and dynamic port that has active partnerships with all stakeholders in the transportation chain. The Advantage Canada program will consolidate the action already taken in this regard.

We would like to take this opportunity to thank all those who work in the port and the surrounding area. Your vision for the future and continued cooperation ensure that the Port of Québec will continue to grow.



*Ross Gaudreault (left)
and Raymond S. McBain*

RAYMOND S. MCBAIN
Acting Chairman of the Board

ROSS GAUDREULT
President and Chief Executive Officer

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1992 and the statements of income, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and

perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

Rest (marwick Thorne)

Chartered Accountants
Québec, Quebec
February 9, 1993

BALANCE SHEET

1992

1991

As at December 31, 1992

ASSETS

Current assets:

Cash	\$ 1,225,315	\$ 327,608
Investments	—	730,555
Accounts receivable	4,464,187	5,652,836
Materials and supplies	159,989	153,212

5,849,491 6,864,211

Long-term receivable (note 3) 226,505 226,505

Fixed assets (note 4) 58,719,047 55,271,630

\$64,795,043 \$62,362,346

LIABILITIES AND EQUITY OF CANADA

Current liabilities:

Accounts payable and accrued liabilities	\$ 1,939,426	\$ 2,220,232
Grants in lieu of municipal taxes	319,400	221,157
Deferred revenues	888,158	834,773
Current portion of long-term debt	71,562	—

3,218,546 3,276,162

Long-term debt:

Accrued employee benefits	1,000,000	951,000
Loans from interport loan fund (note 5)	3,428,438	—

4,428,438 951,000

Equity of Canada:

Contributed capital	51,852,198	51,852,198
Surplus	5,295,861	6,282,986

57,148,059 58,135,184

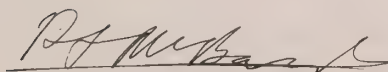
\$64,795,043 \$62,362,346

Contingencies (note 8)

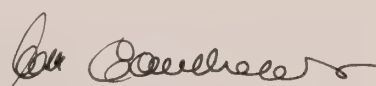
Commitments (note 9)

See accompanying notes.

On behalf of the Board:



Raymond S. McBain
Acting Chairman of the Board



Ross Gaudreault
President and Chief Executive Officer

STATEMENT OF INCOME

1992

1991

For the year ended December 31, 1992

Revenue from operations	\$14,287,504	\$15,693,675
Expenses:		
Operating and administrative	10,606,195	11,235,444
Depreciation	2,997,486	3,032,452
Grants in lieu of municipal taxes	1,702,631	1,071,037
	15,306,312	15,338,933
Income (loss) from operations	(1,018,808)	354,742
Other income (expense):		
Investment income	89,352	252,534
Interest expense	(46,941)	—
	42,411	252,534
Net income (loss) before unusual items	(976,397)	607,276
Gain on disposal of a building	—	229,801
Gain on disposal of investments	—	694,424
	—	924,225
Net income (loss)	\$ (976,397)	\$ 1,531,501

See accompanying notes.

STATEMENT OF SURPLUS

1992

1991

For the year ended December 31, 1992

Surplus at beginning of year	\$ 6,282,986	\$ 4,751,485
Net income (loss)	(976,397)	1,531,501
Dividend to Canada	(10,728)	—
Surplus at end of year	\$ 5,295,861	\$ 6,282,986

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1992

1991

For the year ended December 31, 1992

Cash provided by (used for):

Operations:		
Net income (loss)	\$ (976,397)	\$ 1,531,501
Items not affecting cash:		
Depreciation	2,997,486	3,032,452
Gain on disposal of fixed assets	(48,470)	(241,388)
Gain on disposal of investments	—	(694,424)
Write-off of projects under construction	13,187	964,307
Accrued employee benefits	49,000	(20,700)
	2,034,806	4,571,748
Changes in non-cash operating working capital (note 6)	1,052,694	(10,101,583)
	3,087,500	(5,529,835)
Investment:		
Additions to fixed assets	(6,467,279)	(3,690,004)
Long-term receivable	—	(226,505)
Proceeds from disposal of fixed assets	57,659	364,733
Proceeds from disposal of investments	—	7,423,660
	(6,409,620)	3,871,884
Financing:		
Loans from interport loan fund	3,500,000	—
Dividend to Canada	(10,728)	—
	3,489,272	—
Increase (decrease) in cash position	167,152	(1,657,951)
Cash position at beginning of year	1,058,163	2,716,114
Cash position at end of year	\$ 1,225,315	\$ 1,058,163
Cash position is represented by:		
Cash	\$ 1,225,315	\$ 327,608
Investments	—	730,555
	\$ 1,225,315	\$ 1,058,163

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

1. STATUS AND NATURE OF ACTIVITIES

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Fixed assets:** Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis commencing with the year the asset becomes operational, using the following annual rates:

Assets	Depreciation Rates %
Dredging	2.5 – 6.7
Berthing structures	2.5 – 10.0
Buildings	2.5 – 10.0
Utilities	3.3 – 10.0
Roads and surfaces	2.5 – 10.0
Machinery and equipment	5.0 – 20.0
Office furniture and equipment	20.0

b) **Pension costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

c) **Insurance:** The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

d) **Grants in lieu of municipal taxes:** The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) **Employee benefits:** The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

3. LONG-TERM RECEIVABLE

	1992	1991
Receivable from a company, without interest, cashable in January 1994	\$ 226,505	\$ 226,505

4. FIXED ASSETS

4. FIXED ASSETS	1992	1991		
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 11,098,253	\$ —	\$ 11,098,253	\$ 11,098,253
Dredging	4,561,342	4,063,551	497,791	525,851
Berthing structures	23,845,094	18,393,125	5,451,969	5,892,534
Buildings	35,454,385	18,038,480	17,415,905	18,099,100
Utilities	19,471,263	4,222,276	15,248,987	15,972,710
Roads and surfaces	6,123,542	4,749,677	1,373,865	1,604,389
Machinery and equipment	1,001,314	514,999	486,315	391,073
Office furniture and equipment	1,645,687	1,162,596	483,091	714,315
Projects under construction	6,662,871	—	6,662,871	973,405
	\$109,863,751	\$ 51,144,704	\$ 58,719,047	\$ 55,271,630

5. LOANS FROM INTERPORT LOAN FUND

	1992	1991
Loans bearing interest at 8.5% to 8.73%, payable in yearly instalments, of \$372,512 including interest maturing in 2012	\$ 3,500,000	\$ —
Current portion of long-term debt	71,562	—
	\$ 3,428,438	\$ —

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 1992 are as follows: 1993 — \$71,562; 1994 — \$77,714; 1995 — \$84,396; 1996 — \$101,652 and 1997 — \$109,531.

6. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	1992	1991
Accounts receivable	\$ 1,188,649	\$ (3,146,909)
Materials and supplies	(6,777)	652
Accounts payable and accrued liabilities	(280,806)	(1,310,430)
Contribution payable to Canada	—	(5,665,000)
Grants in lieu of municipal taxes	98,243	35,503
Deferred revenues	53,385	(15,399)
	\$ 1,052,694	\$(10,101,583)

7. RELATED PARTY TRANSACTIONS

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown corporations.

Principally, the Corporation earned rental revenues of \$743,000 in 1992 from related entities (\$1,059,000 in 1991). The expenses paid to related parties mainly consist in reimbursements of \$822,000 (\$842,000 in 1991) to Canada Ports Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of \$89,000 (\$253,000 in 1991).

The Corporation has accounts payable of \$292,000 (\$242,000 in 1991) and accounts receivable of \$295,000 (\$149,000 in 1991) with the same related parties.

8. CONTINGENCIES

Claims aggregating approximately \$1,000,000 have been received by the Corporation in respect to lawsuits and various other matters in dispute. In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

In addition, claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

These amounts are not recorded in the financial statements.

9. COMMITMENTS

The Corporation has authorized the construction of a grain cleaning system. Costs are estimated to \$13,400,000 and will be shared equally between the Corporation and Bunge. As at December 31, 1992, costs incurred by the Corporation amount to \$5,100,000.

BOARD OF DIRECTORS

Raymond Stuart McBain *

Acting Chairman
President
Signalisation Ver-Mac inc.
Sainte-Foy, Que.

Denise Rancourt-Bélanger

Lawyer
Lévis, Que.

Yvon Dolbec *

Chairman
Dolbec Y. Logistique Int'l Inc.
Sainte-Foy, Que.

Claude Gagné *

Sales Representative
Toshiba of Canada Ltd.
Vanier, Que.

Jacques Pouliot

Québec, Quebec

Roméo Savard

Foreman
International Longshoremen's Association
Québec, Que.

Gary Q. Ouellet, Q.C.

Corporate Secretary
GCI
Ottawa, Ont.

* Executive Committee

OFFICERS OF THE CORPORATION

Ross Gaudreault

President and Chief Executive Officer

Mario Bernard, C.A.

Director, Finance

Yvon Bureau

Director, Operations

Marc Dulude

Director, Marketing

Raymond Leclerc

Director, Engineering and Maintenance

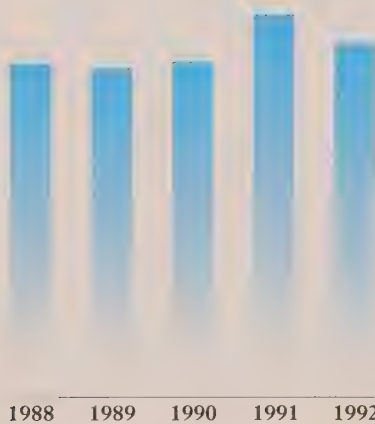
André Boulet

Director, Police



Total Traffic T (million)

15 15 15 17 16



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER

During 1992, the Saint John Port Corporation made considerable progress in achieving its corporate objectives and in contributing to economic growth and development. The accomplishments of the year are the result of careful management of the Corporation's resources to provide port facilities and strategically position the port for increased market access and growth. While the economic climate of 1992 was uncertain, the Corporation continued to enhance its position as a major transportation centre in Atlantic Canada.

Overall port traffic declined by seven percent, to 15.8 million tonnes, predominantly due to reductions in the volume of petroleum traffic handled at private facilities. Some softening in potash shipments were noted towards

the end of the year due to competition from former east block countries. Forest products showed considerable growth with a twelve percent increase to 847,000 tonnes. Salt shipments increased by nine percent and container traffic continued at 1991 levels.

Through prudent financial management, the Corporation maintained profitability and continued its strategy of directing resources to improving the quality of port facilities. A modest increase in operating revenues, coupled with a reduction in operating expenditures, produced an operating income of \$1.2 million. Net income was on budget at \$160,000 and \$3.2 million was directed to capital projects.

To provide for increased growth in forest products, a new 10,000 square meter transit shed was officially opened at the Navy Island Forest Products Terminal. Additional improvements made at this Terminal included the resurfacing of open areas and the provision of a roll-on roll-off notch at Pier 3 at a total cost of \$1.2 million. Other notable projects included a new access road for the west side terminals and the demolition of a grain elevator to provide for future terminal redevelopment.

Toward the end of the year, an announcement was made that a floating roll-on roll-off ramp will be provided at the Forest Products Terminal. This \$3 million project, which will be completed in the first half of 1993, will provide for continuous cargo handling operations throughout the full tidal range, and bring improved on-berth productivity. We are appreciative of the support for this project from the Canada/New Brunswick Cooperation Agreement on Economic Development and private sector companies operating in the Port of Saint John.

Cargo shipping services through the port increased with two lines initiating new services from Saint John to the Mediterranean, which will contribute to the diversification and growth of container and general cargo services. Saint John is also being

increasingly recognized as a port-of-call for cruise vessels. The highlight of the cruise season was a visit by the QE2, the world's most famous passenger ship.

In 1992 a decision was made by Saint John Common Council to disband the Saint John Harbour Development Commission. We would like to thank the City of Saint John and the many individuals who served on the Commission over the years and volunteered their time in promoting the Port of Saint John.

We recognize the significant role which the Port of Saint John plays in contributing to the economic vitality of this area. Our confidence in the future is based on the dedication of our employees and the support of our valued customers. The excellent relationships which we enjoy with federal, provincial, and municipal officials, our private sector partners and port labor are greatly appreciated. We look forward to the challenges of 1993 and the opportunity to fulfill our mission in support of Canada's international trade.



HARRY P. GAUNCE
Chairman of the Board



KENNETH R. KRAUTER
*General Manager
and Chief Executive Officer*



*Kenneth R. Krauter (left)
and Harry P. Gaunce*

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

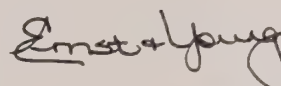
We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1992 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and

perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.



Chartered Accountants
Saint John, New Brunswick
January 29, 1993

BALANCE SHEET

1992

1991

As at December 31, 1992

(in thousands of dollars)

ASSETS

Current		
Cash	\$ 54	\$ 62
Investments (note 3)	4,129	4,016
Accounts receivable	1,085	1,300
Materials and supplies	18	26
	5,286	5,404
Long-term		
Long-term investments (note 3)	969	1,490
Fixed assets (note 4)	82,195	82,282
	83,164	83,772
Total assets	\$ 88,450	\$ 89,176

LIABILITIES AND EQUITY OF CANADA

Current		
Accounts payable and accrued charges	\$ 1,780	\$ 1,909
Deferred revenues	345	331
Grants in lieu of municipal taxes	69	120
Current portion of deferred interest contribution	—	713
	2,194	3,073
Long-term		
Loans from Canada (note 5)	20,052	20,052
Financing provided by a province (note 6)	19,696	19,696
Accrued employee benefits	564	570
	40,312	40,318
	42,506	43,391
Equity of Canada		
Contributed capital	44,462	44,462
Retained earnings	1,482	1,323
	45,944	45,785
Total liabilities and equity of Canada	\$ 88,450	\$ 89,176

See accompanying notes.

On behalf of the Board:



Harry P. Gaunce
Chairman of the Board



Kenneth R. Krauter
General Manager and Chief Executive Officer

STATEMENT OF INCOME AND RETAINED EARNINGS

1992

1991

For the year ended December 31, 1992

(in thousands of dollars)

Revenues from operations	\$ 11,459	\$ 11,312
Expenses		
Operating and administrative	6,720	7,122
Depreciation	2,721	2,336
Grants in lieu of municipal taxes	657	731
Loss on disposal of fixed assets	132	508
	10,230	10,697
Income from operations	1,229	615
Investment income	535	1,102
Interest expense (note 7)	(1,605)	(1,607)
Net income	159	110
Retained earnings, beginning of year	1,323	1,213
Retained earnings, end of year	\$ 1,482	\$ 1,323

See accompanying notes.

STATEMENT OF CASH FLOWS

1992

1991

For the year ended December 31, 1992

(in thousands of dollars)

Cash provided by (used in)

Operations

Net income	\$ 159	\$ 110
Add items not requiring a cash payment		
Depreciation	2,721	2,336
Loss on disposal of fixed assets	132	508
Other	(6)	86

3,006 3,040

Net change in non-cash working capital balances (note 8)

(656) (2,442)

2,350 598

Financing

Capital grants	500	500
Deferred interest contribution	—	(708)
	500	(208)

Investing

Additions to fixed assets	(3,277)	(9,123)
Long-term investments	521	(525)
Proceeds on disposal of fixed assets	11	—
	(2,745)	(9,648)

105 (9,258)

4,078 13,336

Cash position, end of year

\$ 4,183 \$ 4,078

Cash position consists of cash, short-term investments and bank indebtedness.

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

1. CANADA PORTS CORPORATION AND INCORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation — Port of Saint John.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments: The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets: Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Assets	Depreciation Rates %
Dredging	2.5 – 6.7
Berthing structures	2.5 – 10.0
Buildings	2.5 – 10.0
Utilities	3.3 – 10.0
Roads and surfaces	2.5 – 10.0
Machinery and equipment	5.0 – 100.0
Office furniture and equipment	20.0

Pension costs: All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes: The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits: The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

Investments are direct and guaranteed securities of Canada as follows:

	1992		1991	
	(in thousands of dollars)			
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$ 4,129	\$ 4,181	\$ 4,016	\$ 4,058
Canada Bonds	\$ 969	\$ 1,000	\$ 1,490	\$ 1,520

4. FIXED ASSETS

1992

1991

(in thousands of dollars)

	Cost	Accumulated depreciation	Net Book value	Net Book value
Land	\$ 31,704	\$ —	\$ 31,704	\$ 30,679
Dredging	2,115	1,558	557	431
Berthing structures	64,874	33,245	31,629	32,664
Buildings	16,923	6,267	10,656	5,747
Utilities	8,538	4,602	3,936	3,683
Roads and surfaces	7,079	4,808	2,271	728
Machinery and equipment	1,012	612	400	280
Office furniture and equipment	1,326	1,157	169	234
Work under construction	873	—	873	7,836
	\$ 134,444	\$ 52,249	\$ 82,195	\$ 82,282

5. LOANS FROM CANADA

1992

1991

(in thousands of dollars)

Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	\$ 20,052	\$ 20,052
--	-----------	-----------

6. FINANCING PROVIDED BY A PROVINCE

The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1992 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately \$734,000.

7. DEFERRED INTEREST CONTRIBUTION

During 1990 the Federal Government advanced the Corporation \$2,000,000 to offset interest payments in 1990, 1991 and 1992 on the \$6,665,000 debt owed to the Federal Government with respect to Rodney Terminal.

The original amount of the advance plus the interest earned (\$286,000) will be available to fund interest payments required over the three year period. The deferred interest credit was absorbed on a straight line basis over the period. Interest expense for 1992 was reduced by approximately \$757,000 as a result of the application of the deferred credit.

8. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

1992

1991

(in thousands of dollars)

Decrease (increase) in current assets		
Accounts receivable	\$ 215	\$ (118)
Materials and supplies	8	2
	223	(116)
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	(129)	149
Deferred revenues	14	(190)
Grants in lieu of municipal taxes	(51)	80
Due to Canada	—	(2,455)
Current portion of deferred interest contribution	(713)	90
	(879)	(2,326)
	\$ 656	\$ (2,442)

9. RELATED PARTY TRANSACTIONS

During the year the Corporation paid \$822,000 (1991 — \$841,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

BOARD OF DIRECTORS

Harry P. Gaunce *
Chairman
President
Armstrong & Bruce Insurance Limited
Saint John, N.B.

Henry Meinhardt */**
Vice-Chairman
President
Fundy Ventilation Ltd.
Saint John, N.B.

Kenneth J. Bourque **
Marketing Manager
Utopia Fabricating Ltd.
Pennfield, N.B.

Shirley A. McAlary */**
Agent
Air Canada
Saint John, N.B.

Robert M. Scott ***
Owner
R. M. Scott Insurance Agency Ltd.
Saint John, N.B.

William M. Thompson ***
General Manager
New Brunswick Salmon Growers'
Association
St. George, N.B.

Albert Vincent ***
Councillor
City of Saint John
Saint John, N.B.

* Executive Committee
** Human Resources and Compensation
Committee
*** Audit Committee

OFFICERS OF THE CORPORATION

Harry P. Gaunce
Chairman

Henry Meinhardt
Vice-Chairman

Kenneth R. Krauter
General Manager and Chief Executive Officer

R. Adam McBride
Assistant General Manager

Peter D. Clark
Director, Marketing

Ardith L. Bartlett
Corporate Secretary

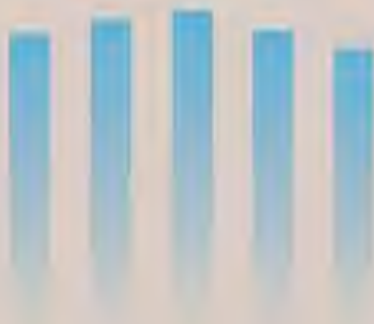


St. John's Port Corporation



Total Traffic T (thousand)

945 977 1,045 947 907



1988 1989 1990 1991 1992

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PORT MANAGER AND CHIEF EXECUTIVE OFFICER

As anticipated, the negative economic conditions and problems in the fishing industry continued throughout 1992, creating a very difficult year for the Port of St. John's. Activity in the port declined in 1992 with a 28 percent decrease in vessel arrivals compared to the previous year. This resulted in a decline in gross revenue tonnage of 16 percent and a decrease in cargo tonnage of 4.2 percent.

The severe economic problems made it necessary to review tariff and lease arrangements. The position taken by the Corporation was that a cooperative approach with port users would be required to see us through these difficult economic conditions. This

approach, together with reduced investment income, resulted in reduced revenues.

Revenue for 1992 was 4.5 percent below budget and total expenses were 3.5 percent over budget; giving a net income of \$654,600 — nine percent below budget. In practically all areas, management was successful in keeping controllable expenses under budget.

Under Part X of the *Financial Administration Act*, the Corporation is required to carry out a Special Examination at least once in every five years. A previous Special Examination of the Corporation was carried out in 1988 and the Board accepted the recommendation of the Audit Committee to carry out the required Special Examination during the period October to December 1992.

The Board was very pleased to receive the report of the Special Examiner stating that in all areas: "The Corporation maintains systems and practices in a manner that provides reasonable assurance that resources are managed economically and efficiently and

operations are carried out effectively.

In accordance with the port's statutory obligation, we are pleased to inform the Board of Directors and the shareholder, that all necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets and to achieve our Corporation's objectives."

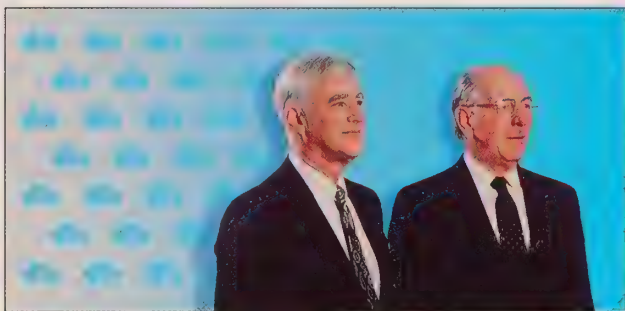
Prospects for the Hibernia development were uncertain during the latter part of 1992, but with the recent announcement in January 1993 that the project will continue, the outlook became much more positive for this development. Discussions with parties interested in the servicing of offshore supply vessels, will now become active again and we will continue our efforts to obtain this business for the port. Plans for expansion of the Pier 17 area will, therefore, be contingent on the success of our efforts in this area.

The closure of certain Northwest Atlantic Fisheries Organization (NAFO) convention areas has had a major decreasing effect on port activity

associated with this industry. This complete industry is expected to remain very limited in its activity over the next three to five years especially within Canada's 200 mile jurisdictional surveillance zone.

While some improvement is anticipated in the economic outlook for 1993, the major challenge will be the control of expenditures and the maintenance of facilities under very severe budget restraint. Even though we anticipate that reduced activity will continue in 1993, we still expect to maintain a profitable operation but at a level lower than that previously projected.

The Board wishes to thank staff for the understanding and restraint that was evident during the year. These are difficult times, but with a cooperative and positive approach, we should be able to maintain a viable and effective administration and operation. Further, the Board is most appreciative of the continued support and commitment of the port community and looks forward to further positive achievements in 1993.



David J. Fox, P. Eng. (left)
and Fred M. Milley

FRED M. MILLEY
Chairman of the Board

DAVID J. FOX, P. ENG.
Port Manager and
Chief Executive Officer

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1992 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and

perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis

consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.

Chartered Accountants
St. John's, Newfoundland
February 2, 1993

BALANCE SHEET

1992

1991

As at December 31, 1992

ASSETS

Current

Cash	\$ 118,071	\$ 31,951
Investments (Note 3)	1,970,283	3,250,658
Accounts receivable	717,783	511,738
	<u>2,806,137</u>	<u>3,794,347</u>
Fixed (Note 4)	14,113,623	14,029,662
	<u>\$16,919,760</u>	<u>\$17,824,009</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 229,346	\$ 240,674
Grants in lieu of municipal taxes	234,194	139,037
Deferred revenues	377,123	361,210
Current portion of loans from Canada	97,060	264,689
	<u>937,723</u>	<u>1,005,610</u>
Accrued employee benefits	114,899	153,675
Loan from Canada (Note 5)	986,242	2,406,106
	<u>2,038,864</u>	<u>3,565,391</u>

EQUITY OF CANADA

Contributed capital	10,131,636	10,131,636
Surplus	4,749,260	4,126,982
	<u>14,880,896</u>	<u>14,258,618</u>
	<u>\$16,919,760</u>	<u>\$17,824,009</u>

Contingencies (Note 6)

See accompanying notes.

On behalf of the Board:

Fred M. Milley
Chairman of the Board

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

STATEMENTS OF EARNINGS AND SURPLUS

1992

1991

For the year ended December 31, 1992

Revenue from operations	\$ 3,495,532	\$ 3,428,662
Operating and administrative expenses	1,886,029	1,703,617
Depreciation	892,957	828,692
Grants in lieu of municipal taxes	82,839	91,933
	2,861,825	2,624,242
Earnings from operations	633,707	804,420
Investment income	226,941	298,885
Interest expense	(206,058)	(280,185)
Net earnings	\$ 654,590	\$ 823,120
Surplus, beginning of year	\$ 4,126,982	\$ 3,327,614
Net earnings	654,590	823,120
Dividend to Canada	(32,312)	(23,752)
Surplus, end of year	\$ 4,749,260	\$ 4,126,982

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1992

1991

For the year ended December 31, 1992

Cash derived from (applied to)		
Operating		
Net earnings	\$ 654,590	\$ 823,120
Depreciation	892,957	828,692
Other non-cash items	(38,776)	32,515
	1,508,771	1,684,327
Change in non-cash operating working capital (Note 7)	(219,918)	254,868
	1,288,853	1,939,195
Financing		
Change in construction payables	(54,014)	(169,848)
Loans from Canada	(1,419,864)	(264,689)
	(1,473,878)	(434,537)
Investing		
Proceeds on disposals of fixed assets	16,091	1,068
Purchase of fixed assets	(993,009)	(724,546)
	(976,918)	(723,478)
Dividend to Canada	(32,312)	(23,752)
Net increase (decrease) in cash	(1,194,255)	757,428
Cash and short term investments		
Beginning of year	3,282,609	2,525,181
End of year	\$ 2,088,354	\$ 3,282,609

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of St. John's to the St. John's Port Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments: The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets: Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation: Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Assets	Depreciation Rates %
Berthing structures	2.5 — 10.0
Buildings	2.5 — 10.0
Utilities	3.3 — 10.0
Roads and surfaces	2.5 — 10.0
Machinery and equipment	5.0 — 100.0
Office furniture and equipment	20.0

Pension costs: All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes: The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits: The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. INVESTMENTS

1992

1991

	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$ 1,970,283	\$ 2,006,600	\$ 3,250,658	\$ 3,328,900

4. FIXED ASSETS

1992

1991

	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 4,735,248	\$ —	\$ 4,735,248	\$ 4,735,248
Berthing structures	10,926,843	6,392,477	4,534,366	4,015,247
Buildings	1,914,247	1,413,442	500,805	545,026
Utilities	3,343,767	1,243,740	2,100,027	2,239,938
Roads and surfaces	4,019,840	2,020,208	1,999,632	2,208,653
Machinery and equipment	310,314	137,394	172,920	176,327
Office furniture and equipment	250,456	185,265	65,191	74,833
Projects under construction	5,434	—	5,434	34,390
	\$25,506,149	\$11,392,526	\$14,113,623	\$14,029,662

5. LOAN FROM CANADA

1992

1991

Term loan, bearing interest at 9.33%, maturing
December 31, 2000, repayable in equal annual
instalments of principal and interest of \$198,131.

\$ 1,083,302 \$ 2,670,795

Less: Current portion

97,060 264,689

\$ 986,242 \$ 2,406,106

The loan from Canada is unsecured.

Annual principal repayments in each of the next five years are as follows:

1993	\$ 97,060
1994	\$ 106,115
1995	\$ 116,015
1996	\$ 126,840
1997	\$ 138,675

6. CONTINGENT LIABILITIES

Claims aggregating approximately \$364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

1992

1991

Accounts receivable	\$ (206,045)	\$ 17,249
Due from Canada	—	66,000
Accounts payable and accrued liabilities	42,686	33,029
Grants in lieu of municipal taxes	95,157	91,933
Deferred revenues	15,913	23,299
Current portion of loan from Canada	(167,629)	23,358
	\$ (219,918)	\$ 254,868

8. RELATED PARTY TRANSACTIONS

During the year the Corporation paid \$248,746 (1991 — \$233,238) to Canada Ports Corporation as its share of that Corporation's head office expense.

BOARD OF DIRECTORS

Fred M. Milley*/**
Chairman
St. John's, Nfld.

Faith Good*/**
Vice Chairman
St. John's, Nfld.

Thomas Doyle*/**
Sales Associate
Royal LePage Real Estate Services Ltd.
St. John's, Nfld.

Basil H. Jamieson***
City Councillor, City of St. John's
St. John's, Nfld.

Arthur Puddister***
Manager, Puddister Trading Company
St. John's, Nfld.

Paul Reynolds***
Specialist-Business Development
Ultramar Canada Inc.
St. John's, Nfld.

Michael Walsh*/**
General Chairman (Retired)
Transportation Communication
International Union
St. John's, Nfld.

* Executive Committee
** Executive & Compensation Committee
*** Audit Committee

OFFICERS OF THE CORPORATION

Fred M. Milley
Chairman

Faith Good
Vice-Chairman

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

Brian Scott
Manager, Finance and Administration

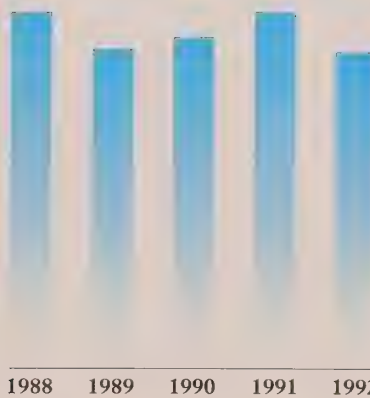
Captain Henry Flight
Harbour Master

Keith F. Rose
Corporate Secretary



Total Traffic T (million)

71 64 66 71 63



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

For Canada's largest port, 1992 was characterized by both a focus on the future and a recollection of the past. The year marked the 200th anniversary of the exploration by British sea captain George Vancouver of what is today his namesake port. And from its bustling shores, traditional Canadian trade forged ahead while new opportunities emerged. The Vancouver Port Corporation (VPC) also emerged with a revitalized customer-driven attitude, centred on long-range plans and partnerships.

Acting on the VPC's central theme of customer satisfaction, the first Port of Vancouver "Stakeholder's Conference" was held in 1992. Attracting 250 delegates, the conference facilitated frank assessments of the issues affecting the port's competitiveness and created

Action Teams to implement recommendations.

The VPC was proud to play a pivotal role in the conception and creation of the nation's new strategic transportation alliance, Advantage Canada. And, in a complementary move, the Port of Vancouver reached across the nation to "twin" with the Port of Sept-Îles, the first such partnership in Canada.

Among the 1992 highlights was a new container traffic record of 441,055 TEUs, a 15 percent jump over the 1991 figure. Responding to rate incentives and improved terminal and rail services, three container lines launched "first port of call" routes to Vancouver.

Under the VPC's 1992 capital program, container capabilities were further enhanced with the delivery of the port's eighth container crane to

Vanterm, and completion of a berth extension of Centerm. Looking to the future, the "Deltaport" container terminal at Roberts Bank drew closer to reality as plans proceeded through a comprehensive public review towards a projected opening in late 1995.

Fittingly for 1992, another of our key capital projects represented a unique marriage of the past and future. The redevelopment of Ballantyne Pier, scheduled to begin in 1993, will feature a creative design encompassing new general cargo and cruise facilities while retaining elements of the terminal's historic design.

The need to redevelop Ballantyne reflects two statistical highlights — wood pulp and cruise passengers. Following a 19 percent increase the previous year, pulp exports declined slightly through 1992, but are forecast to grow in 1993. The Vancouver-Alaska cruise, meanwhile, continued its upward spiral in 1992, notching a new revenue passenger record of 449,239.

A ten percent decrease in total port tonnage to 63.3 million tonnes reflected declines in primary bulk exports. Coal throughput fell 25 percent due to production disruptions at supplier mines while sulphur and potash sales felt the effects of

world over-supply. Grain, on the other hand, posted a record throughput of 14.5 million tonnes, reflecting further increases in productivity at Vancouver's terminal elevators.

The corporation sustained a solid financial performance through 1992, although operating revenue (\$57.6 million) and net income (\$23.3 million) were down compared to the previous year. Terminal improvements and preliminary development work accounted for the majority of \$16.4 million in capital expenditures.

To improve VPC's effectiveness, we realigned and clarified our planning, communications, trade promotion, customer contact and business research functions. We also pursued employee-driven initiatives aimed at improving customer service, better utilizing available technology, developing management skills and increasing employee awareness.

In 1992, the VPC broadened its scope, joining alliances in support of national objectives while at the same time sharpening its local focus. Taken together, these two views have enabled the Port of Vancouver to take major steps forward in serving Canada and our vital trade objectives.



*Patrick Reid, O.C. (left)
and Norman C. Stark*

PATRICK REID, O.C.
Chairman of the Board

NORMAN C. STARK
President and Chief Executive Officer

Auditors' Report

To the Honourable Jean Corbeil, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Vancouver Port Corporation as at December 31, 1992 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards.

Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted

accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.

Peat Marwick Thorne

Chartered Accountants
Vancouver, B.C.
February 26, 1993

BALANCE SHEET

As at December 31, 1992

1992

1991

(in thousands of dollars) (restated—note 2)

ASSETS

Current assets:

Cash	\$ 1,339	\$ 980
Investments (note 3)	96,204	95,811
Accounts receivable	13,205	11,687
Materials and supplies	352	361
	111,100	108,839
Long-term receivables (note 4)	12,793	6,698
Property and equipment (note 5)	204,518	201,605
	\$328,411	\$ 317,142

LIABILITIES AND EQUITY OF CANADA

Current liabilities:

Accounts payable and accrued liabilities	\$ 6,683	\$ 7,695
Grants in lieu of municipal taxes	5,567	9,439
Deferred revenues	4,212	3,401
	16,462	20,535
Accrued employee benefits	1,463	1,463
Loan from Canada (note 6)	2,704	2,990
	20,629	24,988
Equity of Canada:		
Contributed capital	88,273	88,273
Retained earnings	219,509	203,881
	307,782	292,154

Contingencies (note 7)
Commitments (note 9)
Subsequent event (note 10)

\$328,411

\$ 317,142

See accompanying notes.

On behalf of the Board:

Patrick Reid, O.C.
Chairman of the Board

Lyall D. Knott, Q.C.
Director

STATEMENT OF INCOME AND RETAINED EARNINGS

1992

1991

For the year ended December 31, 1992

(in thousands of dollars) (restated — note 2)

Operating revenue	\$ 57,650	\$ 61,089
Expenses:		
Operating and administrative expenses	27,011	27,656
Grants in lieu of municipal taxes	6,430	6,278
Depreciation	7,549	8,439
	40,990	42,373
Income from operations	16,660	18,716
Investment income	6,872	8,247
Interest expense	(244)	(263)
	6,628	7,984
Net income	23,288	26,700
Retained earnings, beginning of year, as previously reported	206,203	185,900
Restatement of prior year's figures (note 2)	(2,322)	—
Retained earnings, beginning of year, as restated	203,881	185,900
	227,169	212,600
Dividend payment to Canada	(7,660)	(8,719)
Retained earnings, end of year	\$219,509	\$ 203,881

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1992

1991

For the year ended December 31, 1992

(in thousands of dollars) (restated — note 2)

Cash provided by (used for):

Operations:

Net income	\$ 23,288	\$ 26,700
Items not involving cash:		
Depreciation	7,549	8,439
Other	31	101
Changes in non-cash operating working capital	(5,582)	(10,788)
	25,286	24,452

Financing:

Loan from Canada currently payable	(286)	(266)
Long-term receivables	(6,260)	(480)
Dividend payment to Canada	(7,660)	(8,719)
	(14,206)	(9,465)

Investments:

Additions to property and equipment (net)	(10,328)	(7,894)
Other	—	46
	(10,328)	(7,848)

Increase in cash and investments

752 7,139

Cash and investments, beginning of year

96,791 89,652

Cash and investments, end of year

\$ 97,543 \$ 96,791

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1992

LOCAL PORT CORPORATION

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime exports and imports through the Port of Vancouver in the best interests of Canadians, and, in so doing, provide a gateway to world trade — in particular the Pacific Rim — which customers are eager to use and which has wide public support."

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) **Property and equipment:** Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Assets	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(b) **Pension costs:** All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both employees and the Corporation. Although the Plan is a defined benefit plan, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

(c) **Grants in lieu of municipal taxes:** Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(d) **Employee benefits:** The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

2. RESTATEMENT OF PRIOR YEAR'S FIGURES

The Corporation has decided to restate the 1991 financial statements to reverse an accrual for grants in lieu of municipal taxes. This adjustment has been applied retroactively and has reduced amounts previously reported for long-term receivables by \$1,575,000 and income and retained earnings by \$2,322,000 and increased grants in lieu of taxes payable by \$747,000.

3. INVESTMENTS

Current investments are in Government of Canada treasury bills and at December 31, 1992 and 1991 the market value of the treasury bills approximated carrying value.

4. LONG-TERM RECEIVABLES

	1992	1991
	(in thousands of dollars) (restated — note 2)	
Long-term agreement for sale of three cranes, bearing interest at 9% per annum receivable in blended annual instalments of \$648,767 maturing December 15, 2012, guaranteed by a security agreement dated December 15, 1992	\$ 6,000	\$ —
Less current portion	(113)	—
	5,887	—
Non-interest-bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	3,947	3,947
Long-term agreement for sale of No. 1 Elevator, bearing interest at 6-5/8% per annum, receivable in blended annual instalments of \$462,916, maturing December 31, 1996	1,581	1,917
Less current portion	(358)	(336)
	1,223	1,581
Long-term agreement for sale of No. 3 Elevator, bearing interest at 5-3/4% per annum, receivable in annual instalments of \$117,720 plus interest, maturing August 1, 1994	236	353
Less current portion	(118)	(117)
	118	236
Advances for fire protection services	1,359	675
Other	259	259
	\$ 12,793	\$ 6,698

Current portion is reflected in accounts receivable.

5. PROPERTY AND EQUIPMENT

1992

1991

(in thousands of dollars)

	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 79,755	\$ —	\$ 79,755	\$ 77,534
Dredging	366	237	129	141
Berthing structures	66,838	29,858	36,980	33,394
Buildings	49,888	13,674	36,214	36,165
Utilities	18,941	8,213	10,728	8,415
Roads and surfaces	35,384	23,494	11,890	12,596
Machinery and equipment	30,283	11,312	18,971	26,050
Office furniture and equipment	4,059	2,843	1,216	1,142
Projects under construction	8,635	—	8,635	6,168
	\$ 294,149	\$ 89,631	\$ 204,518	\$ 201,605

6. LOAN FROM CANADA

1992

1991

Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	\$ 2,990	\$ 3,256
Less current portion (included with accounts payable)	(286)	(266)
	\$ 2,704	\$ 2,990

Principal repayment requirements over the next five years are as follows:

1992	\$ 286,000
1993	308,000
1994	331,000
1995	355,000
1996	382,000
	\$ 1,662,000

7. CONTINGENCIES

(a) At December 31, 1992, the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$20.4 million (1991: \$17.8 million) greater than the amount accrued in the financial statements.

(b) Over a period of years, the Corporation has recorded revenues on certain leases which continue to be unresolved.

(c) There are estimated claims against the Corporation for approximately \$9 million plus unspecified damages. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for as prior period adjustments when known.

8. RELATED PARTY TRANSACTIONS

In addition to the loan from Canada disclosed in note 4, the Corporation paid \$2,373,000 (1991 — \$2,055,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

9. COMMITMENTS

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1992 are estimated at \$56.7 million.

10. SUBSEQUENT EVENT

Subsequent to December 31, 1992, the Corporation received a request to pay \$30 million as a special dividend to the Government of Canada by March 31, 1993.

BOARD OF DIRECTORS

Patrick Reid, O.C. †
Chairman
Vancouver, B.C.

Jane Frost †/*/**
Vice-Chairman
Vancouver, B.C.

Denis J. Côté *//****
President and Chief Executive Officer
Reclamation Management Ltd.
Vancouver, B.C.

Lyall D. Knott, Q.C. */******
Partner
Clark, Wilson
Barristers & Solicitors
Vancouver, B.C.

Laurie G. Maranda †/*//******
Vice President
Choukalos, Woodburn, McKenzie
Maranda Ltd.
Vancouver, B.C.

Frederick H. Peacock *
Calgary, Alberta

Gary C.H. Short */**
Business Manager
Iron Workers Union
Local 97
Richmond, B.C.

Colin B. Warner (retired December 1992)
Senior Vice President
Weldwood of Canada Limited
Vancouver, B.C.

† Member, Executive Committee
* Member, Planning & Development
Committee
** Member, Public Affairs Committee
*** Member, Audit Committee
**** Member, Budget Committee

OFFICERS OF THE CORPORATION

Patrick Reid, O.C.
Chairman

Jane Frost
Vice-Chairman

Norman C. Stark
President and Chief Executive Officer

Thomas A. Shortridge
Executive Vice President

Donald G. Buggie
Vice President
Management Services

David J. Clarke
Vice President
Business Development

James O'Hara
Vice President
Port Promotion

Warren D. McCrimmon
Director, Legal Services
and Corporate Secretary

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Arnold E. Masters
Chairman of the Board
Montréal, Que.

James B. Powers
Vice-Chairman
President and General Manager
Labrador Construction Co. Ltd.
St. John's, Nfld.

Jean Michel Tessier
President and Chief Executive Officer
Canada Ports Corporation
Ottawa, Ont.

Dr. John Balkwill
Kanata, Ont.

Lawrence Fox
West Vancouver, B.C.

André Gingras
Chairman
Montréal Port Corporation
Montréal, Que.

Benedict J. Kuzmiec
Candiac, Sask.

A.R. "Sandy" MacLean
Mayor
Dalhousie, N.B.

E. Peter MacLean
Antigonish, N.S.

Nels Nelson
President
Grimshaw Agencies
Grimshaw, Alta.

Donald A. Parker
Chairman

Halifax Port Corporation
Halifax, N.S.

Patrick Reid, O.C.
Chairman
Vancouver Port Corporation
Vancouver, B.C.

Jean Riou
Attorney
Jolin, Fournier, Morisset
Sainte-Foy, Que.

Wallace S. Turnbull, Q.C.
Partner
Clark, Drummie & Company
Saint John, N.B.

Robert H. Vandewater
Vice President and Sr. Account Executive
Wood Gundy Inc.
Winnipeg, Man.

EXECUTIVE COMMITTEE

Chairman
Arnold E. Masters

Members
André Gingras
Benedict J. Kuzmiec
Donald A. Parker
James B. Powers

Patrick Reid, O.C.
Jean Michel Tessier
Wallace S. Turnbull, Q.C.
Robert H. Vandewater

AUDIT COMMITTEE

Chairman
Lawrence Fox

Members
A.R. "Sandy" MacLean
E. Peter MacLean

Nels Nelson
Robert H. Vandewater

PLANNING AND BUDGETING COMMITTEE

Chairman
Robert H. Vandewater

Members
Lawrence Fox
André Gingras
Arnold E. Masters
James B. Powers

Patrick Reid, O.C.
Jean Riou
Jean Michel Tessier
Wallace S. Turnbull, Q.C.

POLICE COMMITTEE

Chairman
James B. Powers

Members
André Gingras
A.R. "Sandy" MacLean
Arnold E. Masters

Donald A. Parker
Jean Michel Tessier
Wallace S. Turnbull, Q.C.

LAW AND LEGISLATION COMMITTEE

Chairman
Wallace S. Turnbull, Q.C.

Members
Dr. John Balkwill
André Gingras
Arnold E. Masters
Donald A. Parker

James B. Powers
Jean Riou
Jean Michel Tessier

COMMERCIAL ACTIVITIES COMMITTEE

Chairman
Arnold E. Masters

Members
Lawrence Fox
André Gingras
Benedict Kuzmiec
E. Peter MacLean
Nels Nelson

Donald A. Parker
James B. Powers
Patrick Reid, O.C.
Jean Riou
Jean Michel Tessier

TECHNICAL OPERATIONS COMMITTEE

Chairman
Jean Riou

Members
Dr. John Balkwill
Benedict Kuzmiec
A.R. "Sandy" MacLean
Arnold E. Masters

Nels Nelson
James B. Powers
Jean Michel Tessier

OFFICERS OF THE CORPORATION

Arnold E. Masters
Chairman of the Board

James B. Powers
Vice-Chairman

Jean Michel Tessier
President and Chief Executive Officer

Hassan J. Ansary, Ph.D.
Executive Vice President

Robert W. Tytaneck
Vice President, Operating Divisions

Rozs Aronovitch
Vice President, Legal/Realty
and Corporate Secretary

Christos Sampson
Director General, Ports Canada Police

MAILING ADDRESSES



CANADA PORTS CORPORATION

Port of Belledune
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port of Churchill
P.O. Box 217
Churchill MB R0B 0E0
Tel.: (204) 675-8823
Fax: (204) 675-2350

Port Colborne
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port of Prescott
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port Saguenay/Baie des Ha! Ha!
Lafontaine Street
P.O. Box 760
Chicoutimi QC G7H 5E1
Tel.: (418) 543-0263
Fax: (418) 543-4633

Port of Sept-Îles
421 Arnaud Street
Sept-Îles QC G4R 3B3
Tel.: (418) 968-1231
Fax: (418) 962-4445

Port of Trois-Rivières
1545 du Fleuve Street
P.O. Box 999
Trois-Rivières QC G9A 5K2
Tel.: (819) 378-3939
Fax: (819) 378-2487

National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

LOCAL PORT CORPORATIONS

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax NS B3J 2P6
Tel.: (902) 426-3643
Fax: (902) 426-7335

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal QC H3C 3R5
Tel.: (514) 283-7042
Fax: (514) 283-0829

Prince Rupert Port Corporation
110-3rd Avenue West
Prince Rupert BC V8J 1K8
Tel.: (604) 627-7545
Fax: (604) 627-7101

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec QC G1K 7P7
Tel.: (418) 648-3558
Fax: (418) 648-4160

Saint John Port Corporation
133 Prince William Street
P.O. Box 6429, Station A
Saint John NB E2L 4R8
Tel.: (506) 636-4869
Fax: (506) 636-4443

St. John's Port Corporation
3 Water Street
P.O. Box 6178
St. John's NF A1C 5X8
Tel.: (709) 772-4582
Fax: (709) 772-4689

Vancouver Port Corporation
1900-200 Granville Street
Vancouver BC V6C 2P9
Tel.: (604) 666-8966
Fax: (604) 666-1207

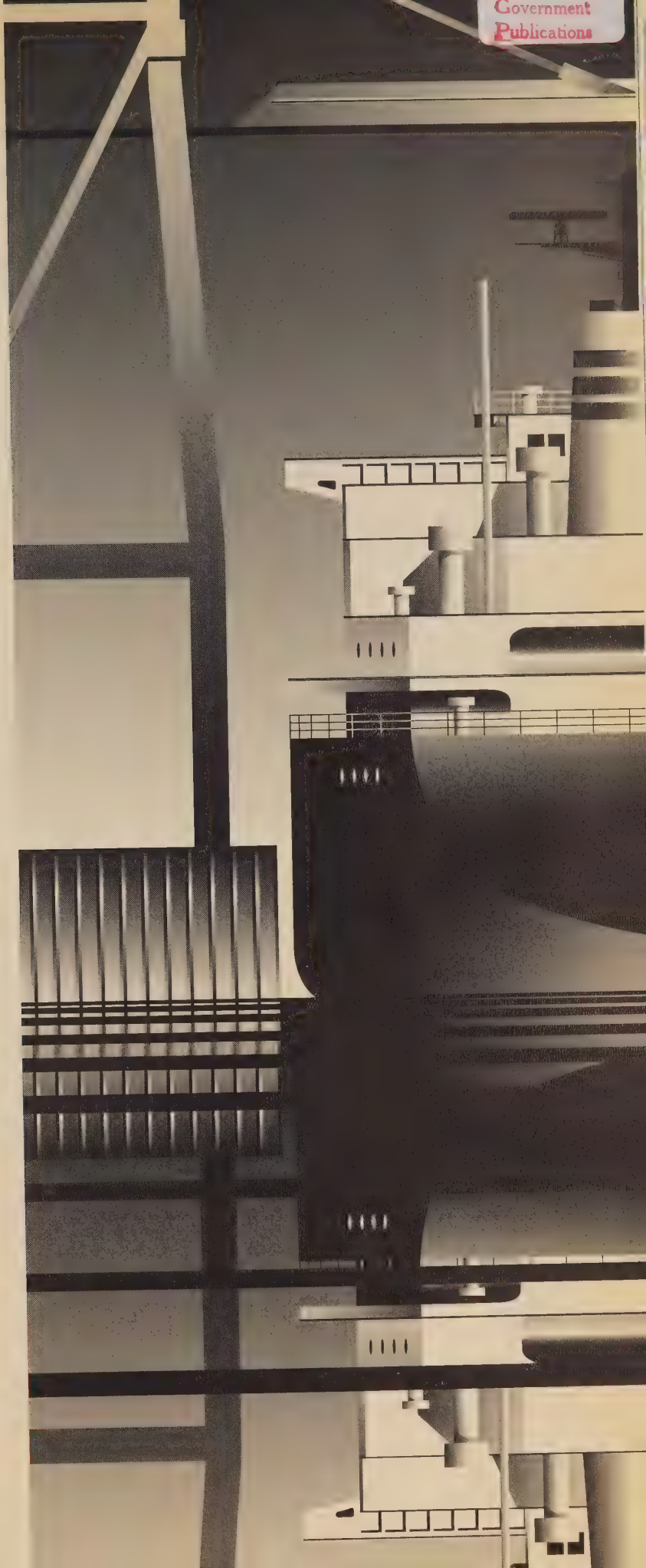


CA1
TA66
-R25



PORTS CANADA

ANNUAL REPORT





Ports Canada describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha! Ha!, Sept-Îles and Trois-Rivières. The Corporation also owns a bulk handling terminal in Prince Rupert, Ridley Terminals Inc.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.

TABLE OF CONTENTS

Canada Ports Corporation	3
Halifax Port Corporation	17
Montréal Port Corporation	23
Prince Rupert Port Corporation	31
Port of Québec Corporation	37
Saint John Port Corporation	43
St. John's Port Corporation	51
Vancouver Port Corporation	57
Corporate Directory	65

Total traffic represents cargo handled through terminals administered by Ports Canada as well as traffic through private facilities within the jurisdiction of the member ports. In 1993, Ports Canada ports handled 166.2 million tonnes of cargo, a slight decline from the 166.9 million tonnes reported a year earlier. Of this total, 137.3 million tonnes, or 83 percent, were handled collectively by the seven local port corporations and 28.9 million tonnes by the Canada Ports Corporation. Reduced volumes of grain exports totalling five million tonnes contributed significantly to the overall decrease in port activity in 1993. Offsetting this decline were positive results reported from other resource industry commodities, including coal and iron ore, during the same period. Container traffic showed signs of rebounding by posting a slight increase in 1993.

With the exception of the ports of Halifax and Saint John, all local port corporations in the system reported reduced levels of activity in 1993. However, for the second consecutive year, most divisional ports achieved improved performances. The opening of the new coal terminal had a major impact on the Port of Belledune's traffic, which jumped from 351,000 tonnes to 801,000 tonnes. Bolstered by increased iron ore shipments, total traffic at the Port of Sept-Îles rebounded to show an increase of over two million tonnes to 21.3 million tonnes, up 11.6 percent. Higher volumes of dry bulk commodities helped propel the Port of Trois-Rivières to 1.7 million tonnes, an increase of 21.8 percent over the 1992 results.

Activity at the Port of Churchill increased from 278,000 tonnes to 291,000 tonnes on the strength of additional volumes of petroleum products. A decline in lumber exports contributed to the lower level of activity at Port Saguenay, as cargo tonnage dropped from 320,000 tonnes to 275,000 tonnes. The Port of Prescott experienced a similar decrease with traffic down from 624,000 tonnes in 1992 to 402,000 tonnes in 1993.

Reflecting reduced demand worldwide for western Canadian grain, exports of grain decreased to 23.2 million tonnes in 1993, from 28.4 million tonnes a year earlier. Grain throughputs at the Port of Vancouver and the Port of Québec were both down

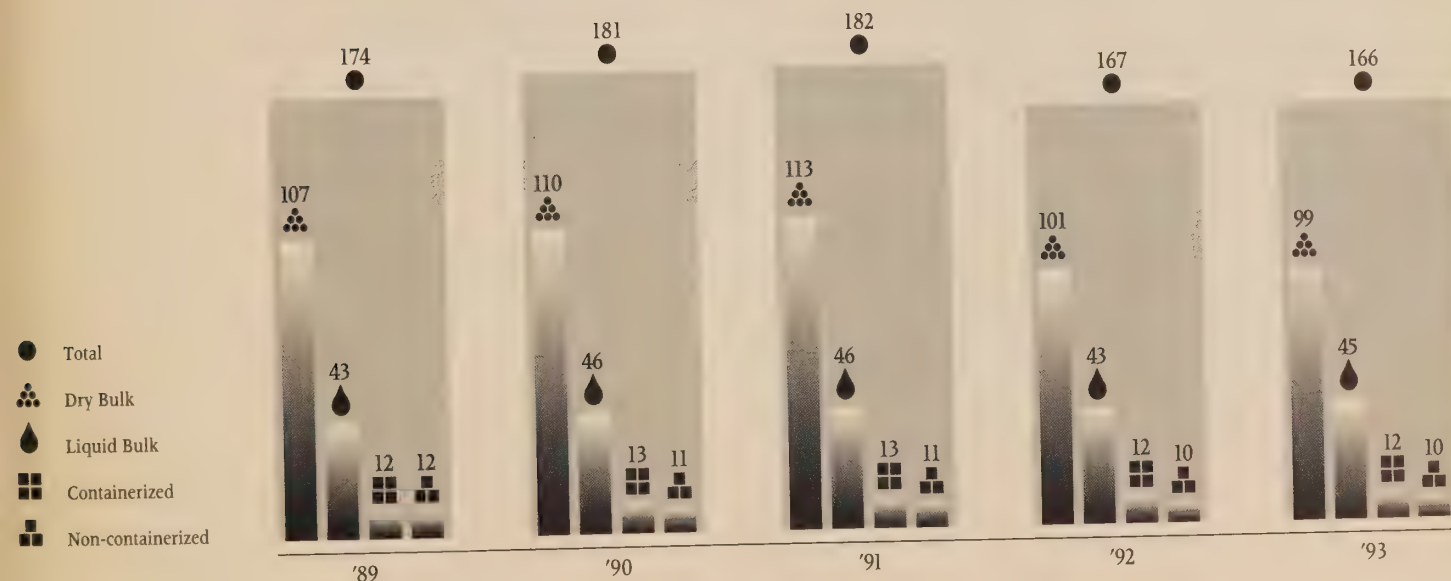
by two million tonnes. Increased mine production contributed significantly to coal exports, with volumes jumping from 25.0 million tonnes to 26.5 million tonnes in 1993. After two successive years of decline, container traffic reversed direction and climbed to 12.5 million tonnes, a slight increase of 1.4 percent. The total number of TEU's (twenty-foot equivalent units) handled last year totalled 1.4 million. Non-containerized general cargo continued to decline in 1993 with a reported 9.6 million tonnes handled, compared with 9.9 million tonnes reached in 1992.

The Port of Saint John set a record for total port traffic in 1993, handling 19.6 million tonnes of cargo. The 23 percent jump in activity is attributed almost exclusively to increased volumes of petroleum products. Container traffic almost doubled to 231,000 tonnes, the result of vessel diversion from the ice-blocked St. Lawrence River. Based on positive performances in most areas of cargo handling, results at the Port of Halifax were more modest, with the port reporting a one percent increase in traffic in 1993. Despite a drop of 5.6 percent in total traffic handled, the Port of Montréal was able to weather the storm and achieve record levels of containerized traffic. In total, 5.9 million tonnes were handled, representing an increase of 2.9 percent over last year.

Fuelled by volume reductions in most resource industry commodities, the Port of Vancouver reported a drop in traffic of four percent to 60.8 million tonnes. As the port's largest commodity, coal bounced back from production disruptions to increase by two million tonnes over last year. At the Port of Prince Rupert, total traffic through the port reached 11.7 million tonnes, down 12 percent from the 1992 tonnage of 13.4 million tonnes. A labor disruption coupled with poor weather conditions contributed to reduced exports of coal and grain. The Port of Québec had another difficult year with traffic dropping to 13.7 million tonnes from the 16 million tonnes reached a year earlier. Reduced tonnage in major commodities such as grain, petroleum products and ore concentrates contributed to this decline in activity. Despite an overall decline in traffic of five percent, the Port of St. John's maintained its important container business to levels comparable with last year.

FIVE YEAR REVIEW OF TRAFFIC

T(million)



Revenue from operations for Ports Canada was \$213 million in 1993, a slight decrease from \$218 million in 1992. Despite improvements in container and coal traffic, Ports Canada handled lower volume of grain and petroleum products in 1993 as a result of the worldwide economic downtrend. On a positive note, additional revenue was generated by the new facilities at the ports of Belledune and Sept-Îles. In March 1993, the Port of Vancouver was given the responsibility for the Canada Place Corporation, an acquisition being fully funded by Canada and representing \$61 million in additional assets. Accordingly, the latter's financial results for the ten months of 1993 are included with those of Ports Canada.

Operating expenses of \$181 million rose by \$10 million from 1992. This increase partly reflects the ten months of operating expenses of Canada Place Corporation and higher depreciation. However, Ports Canada has pursued vigorously to further improve operations at all levels, cut cost and reduce its human resources, resulting in lower operating expenses at most ports in 1993. Also in 1992, lower expenses were primarily attributable to a surcharge reversal and a bad debt recovery at Ridley Terminals Inc. Operating income of \$32 million was recorded for 1993. Funds from operations, being operating income before depreciation, were \$69 million. Other income, which was primarily investment income, amounted to \$14 million in 1993. Funds generated by operations and investments are the major source of financing to enable the ports to build the required facilities to remain competitive and effective.

Ports Canada recorded a net income of \$29 million in 1993 compared to \$41 million in 1992. The decrease primarily reflects both lower traffic and higher uncontrollable operating expenses.

In 1993, Ports Canada paid dividends of \$9 million based on the 1992 financial results. As well, the ports of Vancouver and Montréal made further cash contributions of \$30 and \$5 million respectively to Canada during the year.

Canada invested in 1993 an additional \$20 million in the Interport Loan Fund (the Fund). The Fund, which is administered by Canada Ports Corporation, provides an alternative source of financing for financially viable capital projects of the Ports Canada system. During the year, Canada received \$2 million from the Fund as the return on its investment. Borrowings from the Fund in 1993 include funds advanced for the construction of a coal terminal at the Port of Belledune, handling and storage facilities as part of the Alouette project at the Port of Sept-Îles, as well as a grain cleaning system at the Port of Québec.

During the year, the Ports Canada system invested \$72 million in capital assets. These investments were financed primarily by internally generated funds and by some borrowings from the Fund. Major capital projects undertaken in 1993 include the expansion and upgrading of port facilities at Vancouver, Montréal, Sept-Îles, Saint John and Québec. This level of capital investments reflects the system's ongoing commitment to provide the most modern and efficient port facilities as is economically feasible.

	1993 *	1992 *	1991 *	1990	1989
<i>(in millions except for average number of employees and ratios)</i>					
Financial results					
Revenue from operations	\$ 212.5	\$ 217.5	\$ 199.9	\$ 179.9	\$ 169.9
Operating expenses	181.1	170.8	169.4	155.0	147.5
Operating income	31.4	46.7	30.5	24.9	22.4
Other income	13.6	16.7	20.3	29.7	28.9
Interest expense	22.0	22.6	14.1	4.7	4.0
Net income (loss)	29.2	40.8	(215.8)	50.1	48.7
Cash provided by operating activities	72.5	74.2	45.4	102.7	59.1
Financial position at year end					
Working capital	\$ 105.2	\$ 122.2	\$ 111.2	\$ 104.6	\$ 179.7
Fixed assets - at cost	1,430.2	1,297.9	1,260.6	1,186.3	1,124.2
Total assets	1,183.4	1,116.8	1,073.3	1,022.4	1,004.5
Long term debt	313.6	322.6	369.6	126.0	110.9
Equity of Canada	713.9	666.3	586.4	756.3	817.9
Capital expenditures	\$ 72.0	\$ 67.7	\$ 95.0	\$ 81.3	\$ 77.6
Federal capital financing					
Grants	\$ 0.5	\$ 13.0	\$ 32.7	\$ 11.1	\$ 4.8
Loans	—	—	—	12.8	4.5
Payments to Canada					
Dividends	\$ 8.6	\$ 9.2	\$ 12.6	\$ 11.7	\$ 13.2
Cash contributions	35.0	—	—	100.0	—
Employees					
Average number of employees	1,041	1,162	1,165	1,194	1,208
Ratios					
Operating revenue/tonne	\$ 1.24	\$ 1.26	\$ 1.08	\$ 1.00	\$ 0.98
Tonnes/employee	165,004	149,056	158,329	151,284	144,170
Cash from operating activities/total assets	6.1%	6.6%	4.2%	10.0%	6.0%
Debt equity	44 : 56	48 : 52	63 : 37	17 : 83	14 : 86

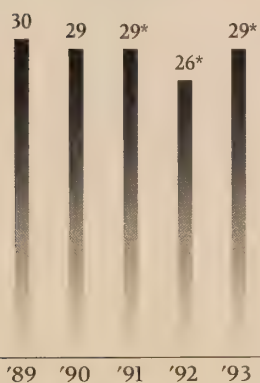
* Includes Ridley Terminals Inc. which became a wholly-owned subsidiary of Canada Ports Corporation on July 30, 1991. Five months of its operating results are included in the 1991 figures as compared to twelve months in subsequent years. As well, Vancouver Port Corporation acquired the Canada Place Corporation in March 1993. Accordingly, ten months of the latter's operating results are included in the 1993 figures.

CANADA PORTS CORPORATION



TOTAL TRAFFIC

T(million)



*excludes Ridley Terminals Inc.

The recession and restructuring of Canada's economy in the 1990s have affected the levels of traffic moving through Canada's commercial ports, probably temporarily, but also the patterns of traffic, perhaps in some cases permanently. Even in such a business as wheat production, market shifts and grade and volume fluctuations rather than restructuring have altered traffic flows through Canadian ports in recent years, causing pressure upon existing grain infrastructure at the Pacific gateways and a decline to or towards non-remunerative utilization levels in the eastern gateways. Combined cyclical and structural changes like these come at a time of intensified competition from U.S. ports for Canadian cargo, as American port productivity improvements match with more efficient north-south surface routings to erode the competitive appeal of Canada's east-west transportation structure.

The plight of Canada's transcontinental railway systems, at least in the eastern half of the continent, is apparent and has attracted considerable attention. The situation in

Canadian ports has been less dramatic and less remarked upon, but just as Canada's railways face competition from each other, Canada's port gateways face competition on every port range, from American ports enjoying the advantages of greater market and traffic density. What is at risk in this environment, particularly given the increased north-south traffic alignment, is the survival, not of Canada's major ports as such, but of its traditional east-west traffic routings, which are one of Canada's greatest creations and equally one of its prime creators.

To meet the challenges posed by recent shifts in traffic patterns and competitive

conditions, Ports Canada has had to look at how it maximizes its advantages and how it relates to its partners, particularly on the landward side of the port interface. The creation of Advantage Canada in October 1992, involving the partnership of the Ports Canada gateways with the railways, truck operators and government service providers such as Coast Guard and Canada Customs, brought together the main players affecting international cargo movement through the intermodal chain to and from the ports. Canada has advantages which Advantage Canada is designed both to maximize and to proclaim. Advantage Canada has concentrated upon the growth of gateway councils, bringing together those groups mentioned and others, like the port labor organizations, who make or break the effectiveness of service through Canadian port gateways. But as the President has noted elsewhere, the activity created within these councils will now be gathered together so that the ports and port users can realize the potential of Advantage Canada.

Canadians are not overly conscious of the extent to which our status as international traders makes us dependent on seaborne commerce. Advantage Canada is intended to impress Canadian shippers with an awareness of what our east-west transportation structures offer, and also foreign shippers, whether they are looking for an advantageous route

into North America or a landbridge alternative to the all-water routes connecting Europe and the Asian Pacific.

The economic uncertainties affecting other Canadians also affects labor in the transportation sector, however, and as organized dock labor fights to protect what it can for its members, the narrowed competitive conditions facing port employers present a conflicting pressure. These forces combine to render the kind of cooperation needed to preserve transportation jobs in Canada difficult. This fact in turn slows the building of trust upon which Advantage Canada's goals for the Canadian routings depend and, added to the pressures and demands imposed by international competitive conditions, presents challenges in which Ports Canada needs increasingly to act as a system.

In 1993, progress was made in concert with Transport Canada and Treasury Board to help Ports Canada move more effectively in the direction of realizing the benefits of being a system of ports and a family of commercial Crown corporations. A cooperative program of deregulation has begun designed to ensure that the central overview brought to system's planning by Canada Ports Corporation is complemented rather than repeated by the approval processes of the central agencies. A considerable duplication in the regulatory regime has thereby been lifted. To make this streamlined system work, Canada Ports Corporation has begun to develop procedures designed to ensure that the system will possess greater capacity in the future to implement its own planning decisions, in line with the national ports policy enunciated in the *Canada Ports Corporation Act*, preserving the balance of local operational autonomy and central planning oversight intended in that *Act*.

Planning within the system also began in 1993 towards the goal of meeting infrastructure development needs from the resources of the Ports Canada system without recourse to increasingly limited government funding. Overall, Ports Canada is working towards greater commercial discipline, financial stability and system cooperation to ensure that in a tightened economic climate it can maintain its own health and strengthen its capacity and its appeal as a vehicle for meeting Canada's trade and transportation needs and supporting national and regional economic development. Planning continues in 1994, with the intention of developing a financing vehicle dependent on the system's own resources and pooled financing leverage so that the system can merit greater independence from the government, traditionally an important contributor to infrastructure financing.

To develop further the efficiency and stability of its relations with the shareholder, while providing assurance to the shareholder of orderly commercial disciplines within the system will be the overriding goal of Canada Ports Corporation in 1994. As part of this goal, Canada Ports Corporation will pursue, on behalf of the system, a greater degree of delegated financial authority for the ports, so that the rationalized regulatory and supervisory regime being created as a result of government policy and the system's request, will lead further towards a decision-making environment akin to that enjoyed by the commercial private sector.



Arnold E. Masters



In 1993, the Canada Ports Corporation celebrated its first decade under the new legislation, an era characterized by numerous successes and challenges. The decade that dawned with the enactment of the *Canada Ports Corporation Act*, witnessed the establishment of seven local port corporations. At the same time, the Canadian economy travelled a roller-coaster ride, raising hopes at one time, and shattering expectations at another.

Canada Ports Corporation -- and indeed the Ports Canada system -- looks forward to its second decade having gained much strength. The port system was not only able to weather the ups and downs that so aptly characterized our first ten years, we made major strides toward the establishment of a viable, strong and unified commercial port system.

The Corporation continued its major strides in 1993 to ensure that both the shareholder, the Government of Canada, and the users of our ports derive measurable benefits from the existence of a dynamic and value-adding port system. Thus, strict cost controls were maintained to ensure consistency with

industry and government practices. Furthermore, in response to several constituencies, the role of Ports Canada Police headquarters and detachments was reexamined with a view to adopting a community policing approach. In a similar vein, the National Office was further realigned to ensure maximum efficiency and responsiveness to the Corporation's multitude of stakeholders. To further productivity at the National Office, a state-of-the-art management information system was put in place. In 1994, this system will be extended to our divisional ports to ensure a more streamlined interface corporate-wide.

Following an extensive effort on the part of the Federal Government, the Corporation was able to successfully negotiate the refinancing arrangement for its wholly-owned subsidiary, Ridley Terminals Inc. (RTI). The new financing brings about an era of stability to RTI, saving the terminal significant sums in interest payments, and providing it with the needed competitiveness to better serve the Canadian coal industry.

The year 1993 marked the first year under the provisions of an enhanced delegation of authority for the Corporation, pursuant to which gaining approval for most of the system's transactions have become significantly simplified, thus streamlining the interface process with the shareholder for major capital projects. This will go a long way to better equip the Corporation to respond to the needs of our customers, the transportation community at large, and the port users in particular.

Following the launch of our landmark initiative in October 1992, Advantage Canada received nationwide support through the establishment of major local gateway councils at our ports. As it matures, the initiative will deliver on its tremendous potential in unifying promotional programs of

major players in the Canadian transportation system in support of the Canadian routing alternative. These potentials will be rigorously pursued in 1994 and beyond. In this regard, the Corporation was proud to have participated and facilitated the required approval for the construction of a state-of-the-art container terminal at Vancouver's Roberts Bank. Deltaport, as the project is now known, will boost Canada's intermodal competitiveness at the nation's front door to the Pacific. The construction of the multi-million dollar facility got under way in the fall of 1993 with an expected start-up date in 1996.

Ports Canada was equally proud to have facilitated the establishment of a nationwide transportation electronic data interchange initiative, Total Electronic Commerce Service for Transportation (TECST). Acting as a transportation user group, TECST will serve as a bond that will tie the key components of the transportation community in Canada to enhance our collective competitiveness worldwide.

The divisional ports made significant contributions to the Corporation's overall satisfactory performance in 1993. Last year marked the first year of full operation at the Port of Sept-Îles' new aluminum facility, nearly doubling the traffic at the port, and positioning the port to take advantage of many emerging opportunities. At Trois-Rivières, the port's base of operations was broadened to allow a more rigorous competition within the port by adding to the number of terminal operators. The Port of Belledune's new coal terminal facility, designed to serve New Brunswick Power Corporation, became operational in June 1993, thus adding to the port's business base and enhancing its financial viability. Divisional ports continue to play a major role as engines of economic activity within their respective community, a role that will only be further strengthened with time.

Notwithstanding our notable accomplishments to date, I am confident that brighter horizons await the Corporation -- and the port system. A productive dialogue has already been initiated with Transport Canada in order to harmonize otherwise divergent policies to satisfy one of the principal objectives of the *Act*, namely equitable treatment of users of all ports in Canada.

In accordance with my statutory obligations, it is once again a pleasure for me to inform the Corporation's Board of Directors, and the shareholder, the Government of Canada, that the Corporation made measurable progress during 1993 in achieving its objectives, and that the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

Success is the fruit of labor by our many stakeholders. Without the support of the shareholder, the guidance of the Board of Directors, under the capable leadership of Chairman A.E. Masters, and the dedicated and loyal service of our employees, little would have been accomplished. Most importantly, however, the users of our ports, the Canadian shippers, are directly responsible for Canada's enviable port system -- and to them I offer a tip of our hat.



Jean Michel Tessier



Canada Ports Corporation is made up of eight non-corporate ports, known as divisional ports and its wholly own subsidiary, Ridley Terminals Inc., a bulk handling terminal. The divisional ports are located in Belledune, New Brunswick; Port Saguenay/Baie des Ha! Ha!, Sept-Îles, Trois-Rivières, Quebec; Port Colborne, Prescott, Ontario; and Churchill, Manitoba. Ridley Terminals Inc. (RTI) specializes in handling coal from unit trains onto ships and is located in Prince Rupert, British Columbia. Divisional ports and RTI play a key role in their respective local and regional economies. Local industries are dependent on the facilities provided and are often the primary link in both national and international markets.

Dry bulk handled by the Canada Ports Corporation include grain, salt, various mineral ores and coal. Liquid bulk is made up primarily of petroleum products while forest products are examples of general cargo handled. Divisional ports and RTI constitute an integral part of the total Ports Canada system. While their sphere of influence is often more regional than national, the overall economic well-being of the community is clearly linked to these facilities.

In 1993, divisional ports handled a total of 28.9 million tonnes of cargo, an eleven percent increase over the 26.0 million tonnes reported in 1992. This total represents 17 percent of the 166.2 million tonnes handled by all Ports Canada ports in 1993.

Positive results were recorded at six of the eight divisional ports. The opening of the new coal terminal at the Port of Belledune had a significant effect on the port's traffic which jumped from 351,000 tonnes to 801,000 tonnes. Ten ships called at Port Colborne in 1993 which helped raise overall traffic volumes from 39,000 tonnes to 43,000 tonnes.

At the Port of Churchill, total port traffic increased from 278,000 tonnes to 291,000 tonnes, up 4.7 percent over the previous year. A drop in export grain was offset by additional movements of petroleum products. Total traffic at the Port of Sept-Îles jumped from 19.1 million tonnes in 1992, to 21.3 million tonnes in 1993, up 11.6 percent on the strength of increased iron ore shipments.

Total traffic handled at the Port of Trois-Rivières in 1993 climbed to 1.7 million tonnes from the 1.4 million tonnes reported in 1992, resulting in a 21.8 percent increase. Higher volumes of dry bulk commodities including alumina, powdered cement, salt and coke contributed significantly to the overall results.

A decline in lumber exports is the main reason for reduced activity at Port Saguenay. Tonnage levels dropped to 275,000 tonnes from the 320,000 tonnes reported a year earlier. The neighbouring facility at Baie des Ha! Ha! saw its traffic increase slightly from 3.9 million tonnes to four million tonnes. Volumes of aluminum ores and concentrates reached 3.6 million tonnes, resulting in an increase of 200,000 tonnes over 1992.

A combination of salt carryover and a decline in grain traffic reduced the activities at the Port of Prescott from 624,000 tonnes in 1992 down to 402,000 tonnes in 1993. Coal shipped through Ridley Terminals Inc. decreased 11 percent in 1993 due to a strike at BC Rail which lasted 37 days. In total, 5.6 million tonnes were handled during the year. (RTI tonnage figures are included in the Prince Rupert Port Corporation tonnage total.)

The financial overview of the Corporation includes the financial results of RTI. The overall traffic increase impacts favourably on the Corporation's financial performance in 1993. RTI and the ports of Sept-Îles and Belledune contributed significantly to the operating results for the year.

Principal Operations: The principal operations of Canada Ports Corporation are defined by the activities of the divisional ports and RTI.

Revenue from Operations: Revenue from operations in 1993 was up by four percent from the previous year to \$54.8 million of which 66 percent was generated by RTI. A significant improvement of \$4.2 million amongst divisional ports during the year is largely attributed to the additional revenue generated from the new facilities at the Port of Belledune.

Operating Expenses: Operating expenses in 1993 increased by \$4.3 million to \$30.4 million. The rise primarily reflects RTI's recording of \$5.2 million in 1992 relating to a surcharge liability forgiven and a bad debt recovery previously provided for. Otherwise, operating expenses in 1993 were lower with an overall decrease of \$0.7 million at the divisional ports. The Port of Churchill shows a notable 21 percent drop in its operating expenses over the previous year.

Income from Operations: Income from operations at \$24.5 million fell by \$2.2 million over 1992. It primarily includes operating income of RTI and the ports of Sept-Îles and Belledune with \$20.5 million, \$3.6 million and \$2.5 million respectively.

Investment Income: Investment income of \$3.2 million was down by nine percent compared to one year earlier. The decline was primarily due to lower interest rates in 1993. Smaller investment bases were also noted at several divisional ports as investments and funds from operations were used to partly finance some capital projects. As well, \$0.5 million was transferred, as instructed by the Minister of Transport, from five divisional ports to the Port of Churchill to cover the latter's 1993 cash shortfall.

Interest Expense: Interest expense of \$17.1 million declined by \$1.3 million. This drop reflects lower interest rates in 1993 and a \$10.5 million reduction in RTI's debt. The substantial decrease in interest rates during the year impacts favourably on the Corporation's financing costs on the 1993 borrowings and RTI's refinancing for current and future years.

Net Income: Net income was at \$10.5 million compared to \$11.8 million in 1992. The decline is mainly attributed to RTI's surcharge reversal and bad debt recovery in 1992 mentioned above, partially offset by an otherwise increase of \$3.9 million in 1993. RTI, and the ports of Sept-Îles and Prescott are the major contributors to the net income with \$8.0 million, \$1.7 million and \$1.1 million respectively, while the Port of Belledune shows the best improvement of \$1.7 million over 1992.

Dividend to Canada: In 1993, the Corporation paid a dividend to Canada of \$113,000.

Interport Loan Fund: The Fund was established by Canada in 1989 to provide financing for financially viable capital projects of the Ports Canada corporations. During the year, Canada invested an additional \$20.0 million in the Fund bringing its total investment to \$50.0 million. Borrowings from the Fund in 1993 included transfers to the ports of Belledune and Sept-Îles, as well as loans to a local port corporation for financing their respective capital projects.

Capital Investments: In 1993, the Corporation invested \$7.6 million in the construction of new facilities and the improvement of existing ones. While the Corporation received capital grants of \$0.2 million from Canada for the St. Alexis Wharf project at Baie des Ha! Ha!, the balance of the capital investments was financed by borrowings and internally generated funds.

PORT OF BELLEDUNE



The Port of Belledune is situated on the south shore of the *Baie des Chaleurs*, in northeastern New Brunswick, about thirty-five kilometers northwest of Bathurst and fifty kilometers east of Dalhousie. With the recent completion of a new berth to handle coal for the thermal power plant, the port now has two bulk-handling facilities.

The new wharf, leased to New Brunswick Power Corporation, is approximately 300 meters in length with a water depth alongside of 15.9 meters. It provides safe access for Panamax type vessels. New Brunswick Power Corporation installed ship unloading equipment and a covered conveyor system that links the wharf to the generating station, which is designed to receive and store coal. The berth received its first shipment of coal in June 1993.

The original berth is 167 meters in length and is connected to the shore by a reversible conveyor system and an access road. The facility is leased to Brunswick Mining and Smelting Corporation Limited and can handle ships up to 45,000 dead weight tonnes. The wharf is equipped to handle self unloaders. In addition, Shell Canada operates a petroleum products terminal at the port.

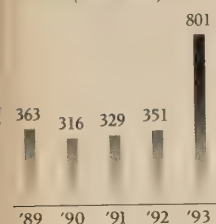
Port traffic reached an all-time high of 801,000 tonnes in 1993, surpassing the previous record of 714,000 tonnes set in 1974. A major portion of this traffic was destined for the new power terminal, where close to half a million tonnes of coal

moved through the facility. Phosphate rock, previously the main commodity by volume at the port, remained at the same level as in the past at 210,000 tonnes. A drop in the export of lead ingots reduced the general cargo total to 16,000 tonnes.

The Port of Belledune had a record year with operating revenues reaching \$3.7 million in 1993, compared to \$300,000 the previous year. This increase is attributed to the new wharf which became operational in 1993. Operating expenses of \$1.2 million also rose, primarily due to depreciation and other expenses related to the new wharf, as well as the expenses for a new office established at the port. The operating income was at \$2.5 million, up from \$100,000 in 1992. Interest expense of \$2.3 million was primarily for financing the construction of the new wharf. The port recorded a net income of \$230,000 for the year, an improvement from a net loss of \$1.5 million reported in 1992.

TOTAL TRAFFIC

T(thousand)



PORT OF CHURCHILL



The Port of Churchill, located on the western shore of Hudson Bay, continues its primary role in 1993 in the export of western Canadian grain. This year marked the 64th year that grain was shipped through the elevator. Another important function of the port is the resupply of northern communities in the Keewatin region of the Northwest Territories.

Total port traffic increased by 4.7 percent to 291,000 tonnes in 1993 from 278,000 tonnes in 1992. Eight ships carried 241,000 tonnes of western Canadian wheat destined for Brazil. This amount accounted for 83 percent of total port traffic. The northern resupply operations had an increase in traffic from 28,000 tonnes in 1992 to 30,000 tonnes in 1993. This traffic consisted mainly of petroleum products, building materials, vehicles, equipment and other essential supplies.

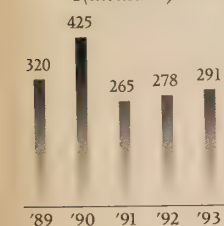
During the year, the Port of Churchill welcomed the M.T. *Turid Knutsen*. The oil tanker arrived on July 21, 1993 with 20,000 tonnes of diesel for the Keewatin region. This was an historic day for the port as it was the earliest arrival ever for an ocean going vessel. Another important event was the arrival of two cruise ships, the M.S. *Hanseatic* and the M.S. *Polaris*, with 433 passengers transiting the port.

In terms of facility improvements, safety and health upgrades were made to the fire alarm and standpipe system.

Total operating revenue for the year decreased by 14 percent from \$3.6 million in 1992 down to \$3.1 million in 1993 due to a slight decrease in grain traffic. The operating expenses were \$4.8 million in 1993, compared to \$6.1 million in 1992. Hence, the net loss was reduced by prudent management decisions from \$2.3 million in 1992, to \$1.7 million in 1993.

TOTAL TRAFFIC

T(thousand)



PORT COLBORNE



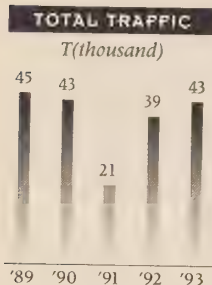
Situated at the southern entrance to the Welland Canal on Lake Erie, Port Colborne specializes in the handling of domestic grain. In 1986, the Corporation leased its grain elevator facility to Goderich Elevators Limited under the terms of a twenty-year agreement. As well, in an effort to diversify operations, a portion of the port's waterlot has been leased to the City of Port Colborne for the operation of the new

from \$433,000 to \$412,000. Consequently, the operating loss fell by eight percent from \$292,000 in 1992 to \$269,000 in 1993. Investment income of \$357,000 provided the port with a net profit of \$88,000 for the year.

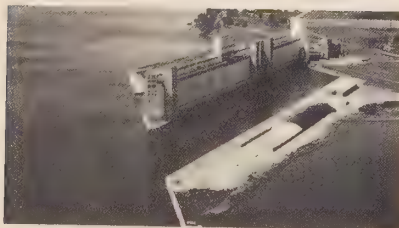
Sugarloaf Harbour Marina. This marina, which serves transient and seasonal craft, includes repair facilities and a restaurant.

Ten ships called at the port in 1993 compared to four the previous year. Total waterborne grain traffic rose slightly from 39,000 in 1992 to 43,000 in 1993. While these results are positive, this volume represents only a portion of the overall grain handling which moves through the facility by truck and rail.

Operating revenues increased slightly from \$141,000 in 1992 to \$143,000 in 1993 while operating expenses declined



PORT OF PRESCOTT

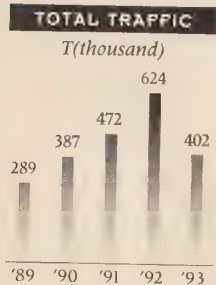


The Port of Prescott is located 100 kilometers south of Ottawa and some 200 kilometers west of Montréal. The port is administered by the Canada Ports Corporation, while its 154,000-tonne capacity grain terminal is operated by the Prescott Grain Terminal, under a management agreement between the Corporation and Goderich Elevators Ltd. While the primary function of the port is still linked to grain handling,

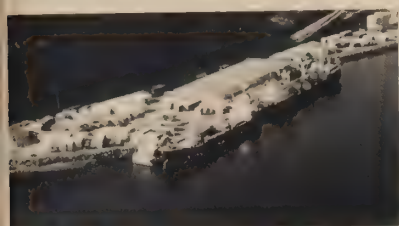
diversification to other commodities is beginning to play a key role in the port's development.

Total port tonnage declined to 402,000 tonnes in 1993, from 624,000 tonnes in the previous year. A considerable amount of salt carryover from 1992 resulted in a decrease of some 81,000 tonnes. Waterborne grain traffic also declined by 191,000 tonnes over the previous year reflecting the general malaise in the grain industry. However, the newly acquired aggregate traffic increased by 61 percent with the port handling 142,000 tonnes of the commodity in 1993, compared to 87,000 in 1992.

Operating revenues continue their upward trend, increasing to \$997,000 in 1993 from \$865,000 in 1992. This increase reflects the new management agreement of the grain elevator which took effect mid-year. Operating expenses, on the other hand, were reduced from \$1.4 million to \$1.0 million. The operating loss was significantly reduced from \$534,000 in 1992 to \$18,000 in 1993. The port was able to sustain its investment income base even with the declining interest rates. Investment income of \$1.1 million in 1993 provided the port with a net income of \$1.1 million compared to \$606,000 in 1992.



PORT SAGUENAY/BAIE DES HA! HA!



Located at the head of the river whose name it shares, Port Saguenay plays a key role in the local economy and provides vital services to the region's resource-based industries. The primary industrial sectors in the region are pulp and paper, lumber and aluminum production.

Total traffic at Port Saguenay was down by 14 percent in 1993 to 275,000 tonnes from the 320,000 tonnes reported

in 1992. The decrease is primarily attributed to the decline in lumber exports. However, shipments of pulp and paper were up in 1993 from 78,000 tonnes to 117,000 tonnes, an increase of 50 percent over 1992.

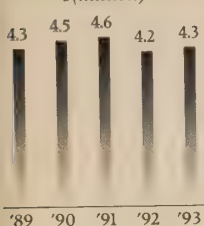
Baie des Ha! Ha! is the location of private wharf facilities owned and operated by Alcan Aluminum Limited and used mainly to receive raw materials for the company's own use. Total traffic at the facility increased from 3.9 million tonnes to four million tonnes as a result of growth in shipments of dry bulk cargo. The volume of aluminum ores and concentrates, which forms the core of the port's traffic, totalled 3.6 million tonnes which resulted in an increase of 200,000 tonnes. The volume of newsprint exports remained constant.

Operating revenue of \$1.0 million at Port Saguenay showed a 31 percent decline, primarily as a result of the shut-down in oil-related activities at the Albert-Maltais terminal. Operating expenses declined by eight percent, from \$1.3 million to \$1.2 million in 1993. The port reported an operating loss of \$233,000 in 1993 compared with a profit of \$73,000 in 1992. Investment income of \$445,000 enabled the port to achieve a net profit of \$212,000.

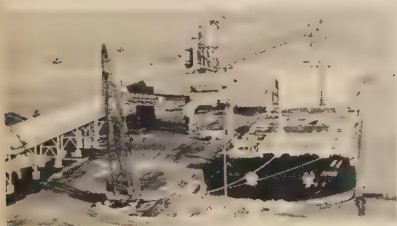
At Baie des Ha! Ha! total operating revenue increased from \$160,000 in 1992 to \$165,000 in 1993, a gain of three percent. Operating expenses increased from \$84,000 to \$124,000 and this led to a 47 percent decrease in operating profit from \$77,000 to \$41,000 in 1993. Net income was \$87,000, a decline of 31 percent from the total recorded in 1992 of \$127,000.

TOTAL TRAFFIC

T(million)



PORT OF SEPT-ÎLES



The Port of Sept-Îles is a deep-water port located on the north shore of the Gulf of St. Lawrence, 650 kilometers east of Québec City. The port consists of a large natural basin with a water depth of 80 meters or more, open to year-round navigation. It is the main iron-ore port in Canada and serves the mining industry of Quebec and Labrador.

Total port traffic in 1993 was 21.3 million tonnes, up from 19.1 million in 1992. Of the total, approximately 19 million tonnes of iron ore were transhipped at the port's private facilities. Although iron ore accounted for almost 90 percent of total traffic through the port, it only represents approximately ten percent of total revenue.

Construction and start-up of the Alouette aluminum plant, located near port facilities in the Pointe-Noire area, has had a positive impact on the volume of cargo handled at the port's public facilities. A total of 1.4 million tonnes of cargo was handled at the Corporation's wharves in 1993, compared with 800,000 tonnes in the previous year. Approximately 50 percent of this total is associated with the operations of the aluminum plant. Coal transshipment have also rebounded

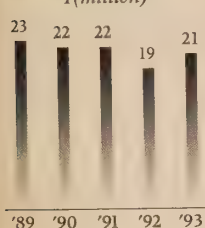
and some 245,000 tonnes were moved from ship-to-ship in the Bay of Sept-Îles.

Major construction projects such as the handling system and the rail-ferry dock were nearly completed during the year, with final finishing work remaining in 1994. During the year, the port was very active in developing new markets which will continue in the future.

Financial results for the year showed an income of \$7.2 million, an increase of \$900,000 over 1992. Operating expenditures were \$3.6 million and net profit increased by 11 percent to \$1.7 million.

TOTAL TRAFFIC

T(million)



PORT OF TROIS-RIVIÈRES



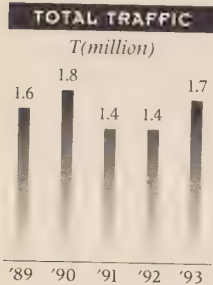
Strategically located between the ports of Montréal and Québec, the Port of Trois-Rivières offers an extensive range of facilities and services. Trois-Rivières owes its success in the past to pulp and paper producers in the region and to shipments of Canadian grain. It is now undergoing major changes and increasingly more of its port users are from outside the region.

Total tonnage handled in 1993 rose to 1.7 million tonnes, an increase of 22 percent over the figure of 1.4 million tonnes reported in the previous year. Of the various types of cargoes handled at the port, dry bulk cargo experienced the strongest growth in 1993. More than 820,000 tonnes of alumina, powdered cement, salt, calcinated coke and tar moved through the port in 1993, an 86 percent increase.

Grain handling declined by approximately 50,000 tonnes from 1992, to 605,000 tonnes. Bulk liquids handled during the year were comparable to the previous year. The 270,000 tonnes handled in 1993 represents a decrease of only four percent and reflects a one-time adjustment of inventories held by port users.

General cargo regained its strength in 1993, with 35,000 tonnes handled compared with 24,000 tonnes the previous year. Paper products were the primary cargo in this category.

An increase in operating revenue generated an operating profit of more than \$132,000, compared with a loss of \$654,000 in the previous year. Moreover, net profit was \$799,000 in 1993, compared with \$76,000 in 1992.



RIDLEY TERMINALS INC.



Ridley Terminals Inc. (RTI) is a sophisticated bulk-handling terminal for moving coal from unit trains onto ships. The terminal is located on a 55-hectare site on the northern end of Ridley Island in Prince Rupert, B.C. Bulk carriers have year-round ice-free access to a large natural harbour that is sheltered by a ring of outer islands.

The terminal has a capacity to ship approximately 16 million tonnes of coal a

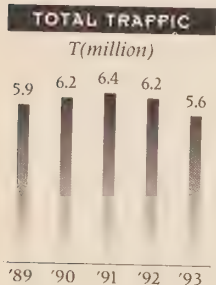
year. Access to the facility, from the main CN North America line, is accomplished by means of a three-track, 2,200-meter causeway.

Coal shipments through RTI decreased by 11 percent in 1993, primarily due to a BC Rail strike which lasted 37 days. The shipment of petroleum coke increased to 160,000 tonnes in 1993, up from 55,000 tonnes in 1992. In total, 5.6 million tonnes of cargo moved through the terminal in 1993, compared with 6.2 million tonnes in 1992.

RTI's operating revenue stood at \$36.1 million in 1993 compared to \$38.3 million in 1992. Operating expenses totalled \$15.6 million in 1993 compared to \$10.6 million in 1992. The 1992 expenses included a one-time recovery of \$5.2 million, related primarily to shortfalls in throughput,

following the successful financial restructuring of RTI's principal customer.

Interest expense on the debt incurred for the construction of the terminal amounted to \$12.6 million in 1993 and \$15.1 million in 1992. During the year, the terminal's debt of \$203 million was refinanced. As well, RTI repaid \$10.5 million of debt in 1993, compared with \$17.3 million in 1992. Net income for 1993 decreased to \$8.0 million from \$12.9 million in 1992.



AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1993 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then

ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.



CHARTERED ACCOUNTANTS

Ottawa, Ontario

February 18, 1994

BALANCE SHEET

	1993	1992
		(in thousands of dollars)
As at December 31, 1993		
ASSETS		
Current		
Cash	\$ 1,366	\$ 1,297
Short-term investments (Note 3)	19,296	17,052
Accounts receivable	6,139	6,685
Due from Canada	295	240
Materials and supplies	2,719	2,548
	29,815	27,822
Investments (Note 3)	18,348	18,282
Fixed assets (Note 4)	104,863	103,111
	153,026	149,215
	94,012	68,715
INTERPORT LOAN FUND - ASSETS (Note 10)	\$ 247,038	\$ 217,930
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 15,280	\$ 27,152
Due to Interport Loan Fund (Note 6)	1,114	16,119
	16,394	43,271
Accrued employee benefits	2,306	2,668
Due to Interport Loan Fund (Note 6)	47,946	45,530
Long-term debt (Note 7)	196,513	178,284
	263,159	269,753
DEFICIENCY OF CANADA		
Contributed capital (Note 8)	111,672	111,672
Deficit (Note 9)	(221,805)	(232,210)
	(110,133)	(120,538)
	153,026	149,215
	94,012	68,715
INTERPORT LOAN FUND BALANCE (Note 10)	\$ 247,038	\$ 217,930

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:



Arnold E. Masters
Chairman of the Board



Jean Michel Tessier
President and Chief Executive Officer

STATEMENT OF INCOME AND DEFICIT

For the year ended December 31, 1993

1993

1992

(in thousands of dollars)

Revenue from operations	\$ 54,842	\$ 52,796
Operating and administrative expenses	22,181	18,457
Depreciation	5,519	4,897
Municipal grants and taxes	2,692	2,776
	30,392	26,130
Income from operations	24,450	26,666
Investment income	3,200	3,502
Interest expense	(17,132)	(18,370)
Net income for the year	10,518	11,798
Deficit at beginning of the year	(232,210)	(243,978)
Dividend to Canada	(113)	(30)
Deficit at end of the year	\$ (221,805)	\$ (232,210)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1993

1993

1992

(in thousands of dollars)

OPERATING ACTIVITIES		
Net income for the year	\$ 10,518	\$ 11,798
Items not affecting cash		
Depreciation	5,519	4,897
Deferred interest	-	1,643
Other	(375)	1,092
Net change in non-cash components of working capital	4,653	(3,995)
Cash provided by operating activities	20,315	15,435
FINANCING ACTIVITIES		
Capital grants	231	12,752
Change in due from Canada	-	187
Transfers from Interport Loan Fund	6,830	19,662
Repayment of transfers from Interport Loan Fund	(19,237)	(250)
Issuance of long-term debt	203,000	-
Repayment of long-term debt	(198,537)	(17,871)
Dividend paid to Canada	(113)	(30)
Cash (required) provided by financing activities	(7,826)	14,450
INVESTING ACTIVITIES		
Additions to fixed assets	(7,556)	(30,486)
Change in construction payables	(2,620)	(5,299)
Other	-	404
Cash required by investing activities	(10,176)	(35,381)
Increase (decrease) in cash and short-term investments	2,313	(5,496)
Cash and short-term investments at beginning of the year	18,349	23,845
Cash and short-term investments at end of the year	\$ 20,662	\$ 18,349

The accompanying notes are an integral part of these financial statements.

1. CANADA PORTS CORPORATION ACT

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act* (the *Act*), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct responsibility for operating eight divisional ports and has a wholly-owned subsidiary Ridley Terminals Inc. (RTI), a coal terminal facility at Prince Rupert. The *Act* provides for the establishment of local port corporations to manage and operate additional selected ports. The *Act* also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Financial statements**

The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see Note 10).

(b) Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

(c) Fixed assets

Fixed assets are recorded at cost, with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation of fixed assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated remaining useful lives of the assets. The cost of RTI's coal terminal facility is being depreciated, following a write-down of \$176,872,000 at December 31, 1990, using the straight-line method over its remaining useful life to December 31, 2015. The net book value of RTI's fixed assets was \$20,481,000 as at December 31, 1993.

(d) Pension costs

Permanent employees of the Corporation are covered by the Public Service Superannuation Plan, which is a contributory defined-benefit pension plan administered by Canada. However, employees of RTI are covered by a non-contributory defined-benefit plan.

(e) Municipal grants and taxes

The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(f) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(g) Revenue recognition

Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50 percent of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's throughput agreements with its two main customers are in place until March 31, 1998 and March 31, 1999. These agreements provide for guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized at the end of the coal year when the amount of shortfall revenue is known.

3. INVESTMENTS

Short-term investments consist of \$17,298,000 of Canada treasury bills and \$1,998,000 of other money market securities (1992 - \$17,052,000 of treasury bills). As at December 31, 1993 and 1992, the market value of the short-term investments approximates their amortized cost.

Long-term investments of \$18,348,000 (1992 - \$18,282,000) are Canada bonds and as at December 31, 1993, their market value is \$23,924,000 (1992 - \$22,088,000).

(in thousands of dollars)

(a) Summary

	Depreciation rates %	Cost or appraised value	Accumulated depreciation	Net	Net
Land	-	\$ 6,609	\$ -	\$ 6,609	\$ 4,931
Dredging	2.5-6.7	15,407	7,463	7,944	2,499
Berthing structures	2.5-10	48,680	20,915	27,765	14,645
Buildings	2.5-10	33,653	13,987	19,666	18,618
Coal terminal facility	4-33	22,826	2,541	20,285	21,052
Utilities	3.3-10	7,483	2,254	5,229	2,733
Roads and surfaces	2.5-10	4,545	2,603	1,942	1,638
Machinery and equipment	5-100	29,088	19,576	9,512	9,313
Office furniture and equipment	20	4,068	3,260	808	979
Works under construction	-	5,103	-	5,103	26,703
		\$ 177,462	\$ 72,599	\$ 104,863	\$ 103,111

(b) Capital grants

During the year, the Corporation received capital grants towards the construction of fixed assets totalling \$231,000 (1992 - \$12,752,000).

(c) Commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$1,489,000 of which most will be expended in the year ending December 31, 1994.

The Corporation leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are deferred revenues of \$2,713,000 (1992 - \$3,146,000) and current portion of long-term debt of \$68,000 (1992 - \$13,834,000).

6. DUE TO INTERPORT LOAN FUND

1993

1992

(in thousands of dollars)

The Interport Loan Fund has provided long-term financing for two capital projects of ports under the administration of the Corporation.

(a) Transfers to the Port of Belledune bearing interest at 7.18% to 11.47% and accrued interest of \$2,438,000, repayable in twenty blended annual instalments of principal and interest of \$2,737,000 and maturing December 31, 2013.	\$ 23,623	\$ 23,425
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91% to 9.20%, repayable primarily in twenty blended annual instalments of principal and interest of \$2,874,000 and maturing December 31, 2011.	25,437	23,042
(c) Transfers to RTI bearing interest at 5.36% and 7.44% and accrued interest of \$182,000, repayable in 1993.	-	15,182
	49,060	61,649
Less: Current portion	(1,114)	(16,119)
	\$ 47,946	\$ 45,530

Principal repayment requirements over the next five years amount to \$1,114,000 in 1994, \$1,215,000 in 1995, \$1,325,000 in 1996, \$1,445,000 in 1997 and \$1,577,000 in 1998.

7. LONG-TERM DEBT

1993 1992

(in thousands of dollars)

(a) Loan from Canada, bearing interest at 6.44%, repayable in twenty blended annual instalments of principal and interest of \$106,000 and maturing on December 31, 2000.	\$ 581	\$ 645
(b) RTI note, repayable on August 12, 1998, and bearing interest at 6.93% payable annually.	165,000	-
(c) RTI note, under a revolving facility, repayable by August 12, 1998, and bearing interest at Canadian inter-bank bankers' acceptance rate plus 0.20% payable at maturity of note.	31,000	-
(d) RTI term loan, repayable in specified semi-annual instalments commencing July 31, 1991. Interest was at the bank's prime rate, payable monthly.	-	191,473
	196,581	192,118
	(68)	(13,834)
Less: Current portion	\$196,513	\$178,284

Principal repayment requirements over the next five years amount to \$68,000 in 1994, \$73,000 in 1995, \$77,000 in 1996, \$82,000 in 1997 and \$196,088,000 in 1998.

In 1993, RTI refinanced its existing debt with Export Development Corporation (EDC). This new financing consisting of notes replaced the term loan with a major Canadian bank and the transfers from the Interport Loan Fund. Under the financing arrangement with EDC, a fixed rate note issued is repayable in 1998, while notes issued under a revolving facility are at variable rates and repayable by August 12, 1998.

The revolving facility provides for notes to be issued up to an aggregate maximum of \$41 million. These notes may be for a term of one to twelve months and may roll over on maturity date with new face values and new interest rates, with final repayment of all amounts under the facility due on August 12, 1998. As at December 31, 1993, the interest rate on the note under the facility is approximately 4.17%.

The financing with EDC is guaranteed unconditionally by Canada to a maximum of \$230 million and is secured by a \$250 million collateral demand debenture over all present and future assets of RTI.

8. CONTRIBUTED CAPITAL

The *Canada Ports Corporation Act* provides that the net revenues from each port under the administration of the Corporation are to be retained for the use of the respective port. Fund transfers between ports can be authorized by the Minister of Transport.

During the year, the Minister of Transport instructed the Corporation to transfer an equal amount of funds from each of five divisional ports to Port of Churchill to provide for the latter's 1993 cash shortfall. An amount of \$485,000 (1992 - \$1,225,000) was transferred in 1993 to Port of Churchill.

9. DEFICIT

At the incorporation of RTI in 1981, 50% of RTI was owned by the Corporation while the remaining 50% was owned by an unrelated party. The shareholders' agreement of RTI provided a condition for the unrelated party to sell its shares to the Corporation in 1991. On July 30, 1991, the Corporation purchased the remaining 50% ownership in RTI and RTI became a wholly-owned subsidiary of the Corporation. The share purchase of \$58.5 million was paid in cash and was fully financed by Canada. The excess of purchase price over the assets acquired of \$31.7 million less the liabilities assumed of \$229.1 million resulted in a loss on acquisition of RTI of \$255.9 million which was included in the deficit of the Corporation.

10. INTERPORT LOAN FUND

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations. Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Earnings of the Fund are pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established. However, as instructed by Canada, the Fund also transferred \$3.3 million in 1993 and \$15 million in 1992 to the Corporation to provide interim financing to RTI. During the year RTI repaid in full the transfers from the Fund.

The balance sheet of the Fund as at December 31 shows:

	1993	1992
	(in thousands of dollars)	
ASSETS		
Current		
Cash and investments	\$ 39,995	\$ 5,521
Transfers receivable	1,114	16,119
Loans receivable	149	72
	41,258	21,712
Transfers receivable	47,946	45,530
Loans receivable	6,479	3,428
Allowance for doubtful accounts	(1,671)	(1,955)
	\$ 94,012	\$ 68,715
FUND BALANCE		
Contributions from Canada	\$ 76,650	\$ 56,650
Retained earnings	17,362	12,065
	\$ 94,012	\$ 68,715

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1993 and 1992, the market value of the investments approximates their amortized cost.

In 1993, the Fund advanced \$3.5 million to divisional ports and \$3.2 million to a local port corporation for their respective capital projects. During the year, Canada invested \$20 million in the Fund.

The Fund is committed to provide financing of \$9.1 million for a financially viable capital project of a divisional port in 1994.

The statement of income and retained earnings of the Fund is as follows:

	1993	1992
	(in thousands of dollars)	
Interest income	\$ 6,701	\$ 5,376
Allowance for doubtful accounts	284	(1,955)
Administrative expenses	(100)	(100)
Net income for the year	6,885	3,321
Retained earnings at beginning of the year	12,065	8,744
Dividend to Canada	(1,588)	-
Retained earnings at end of the year	\$ 17,362	\$ 12,065

11. PENSION PLANS

The annual contributions to the Public Service Superannuation Plan represent the liability of the Corporation for the contributory plan and are recognized in the accounts on a current basis.

As at December 31, 1993, the updated actuarial reports of RTT's non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to \$4,141,000 (\$3,201,000 - 1992) and the value of the pension fund assets, at market value, amounts to \$4,778,000 (\$3,745,000 - 1992). RTT's pension expense for 1993 of \$330,000 (\$380,000 - 1992) is actuarially determined.

12. RELATED PARTY TRANSACTIONS

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In accordance with the *Canada Ports Corporation Act*, operating and administrative costs incurred by the Corporation in the amount of \$7,712,000 have been recovered from the local port corporations in 1993 (1992 - \$8,250,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of \$1,766,000 (1992 - \$1,973,000) charged by a local port corporation. At December 31, 1993, \$303,000 (1992 - \$194,000) of rental costs are included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities is \$4,505,000 of interest payable to EDC, a Crown corporation (see note 7).

Investment income of \$3,129,000 (1992 - \$3,323,000) was earned on Government of Canada securities and interest charges of \$42,000 (1992 - \$87,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 3, 4(b), 7, 9 and 10.

13. CONTINGENCIES

Claims aggregating approximately \$2,539,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.



TOTAL TRAFFIC

T(million)



We are pleased to report on the financial results and operating activities of the Halifax Port Corporation (Corporation) for the year ended December 31, 1993.

During 1993, the Corporation remained under the influence of the recent recession that enveloped most of the developed world's economies but there are signs the effects of the recession may be easing. In the past year, a number of lines have increased their frequency of calls at the port and there has been a noticeable increase in leasing related activity. Even with the prevailing unfavourable economic conditions, the Corporation succeeded in increasing its cargo and improving its financial performance compared with the previous year. Recent initiatives with respect to new technology, pricing and organizational structure undertaken by the Corporation has it well positioned to take advantage of the opportunities expected to emerge from the next cycle of economic expansion.

Container tonnage, as well as total cargo tonnage moving through the port in 1993 recorded a modest increase compared with the previous year. The 1993 container results are

in marked contrast with the previous three year period when volumes declined by almost 40 percent. The recession and heightened competition from U.S. ports were contributing factors to the decline in containerized cargo.

Cruise business continues to be a success story for the Corporation. In 1993, there were 46 vessel calls with 31,000 passengers compared with 44 vessel calls and 30,000 passengers in the previous year. The "New Atlantic Frontier" tours promoted by both ports and tourist industries in the U.S. and Canada have increased interest in the North Atlantic as a cruise destination and offers exciting prospects for the future. The

Corporation, in cooperation with its municipal and provincial partners, will continue its aggressive marketing program to attract this business. To compliment the marketing effort, the Corporation will be carrying out strategic upgrades to its Shed 20 and surrounding areas to make them more attractive and friendly for the cruise lines and their passengers.

A number of events took place during the year that will improve the Corporation's prospects in the future. They include:

- The opening of C.N.'s new intermodal yard at the port.
- The commencement of full double-stack rail service between Halifax and points through to Vancouver.
- The introduction of advanced reefer equipment at the port permitting coast to coast movements of refrigerated cargo.
- The announcement that the Corporation's major tariffs would remain frozen in 1994, the fourth consecutive year.

These events, along with the completion of the Sarnia/Port Huron Tunnel, expected in late 1994, will enhance the port's service offerings and improve its competitive position.

The Halifax Gateway Council, under the leadership of the Corporation, continued its efforts during 1993 and made significant progress towards achieving its goal of forging a unified cooperative relationship among the port's stakeholders. The cooperative spirit fostered by the Council's initiative has been a key element in the success of several marketing initiatives undertaken at the port during 1993.

In September 1993, the Corporation hosted the American Association of Port Authorities 82nd Annual Convention. The event increased the port's international exposure, provided opportunities for local businesses and promoted the region as a tourist destination. Eight hundred national and international delegates and guests attended the very successful event, injecting upwards of \$2 million into the local economy.

During the year, the Corporation made progress towards the attainment of its objectives which are to increase container volumes, diversify its revenue base and maintain its financial independence. While the increase in container volumes did not reach the ambitious goal that was set, the revenue base was broadened by the increase in cruise business and the financial performance exceeded the original goal.

Capital projects initiated in 1993 cost \$1.6 million; considerably less than the \$3.8 million annual average spent over the past ten years. As the recent decline in cargo was not related to lack of facilities, but to events beyond the control of the Corporation, it is more cost effective to direct capital expenditures towards improving existing facilities rather than creating new ones. An example is the "Gatehouse" project currently underway at the Pier C Terminal. The work includes modifications to the main entrance of the Terminal and the installation of electronic surveillance equipment. When the project is completed in 1994, truck access to the Terminal will be improved, safety and security will be enhanced and operating costs will be reduced.

Total port cargo in 1993 was 14.1 million tonnes, an increase of one percent compared with the previous year. Imports and exports of crude and refined oils remained level with the previous year at 8.3 million tonnes, while exports of gypsum increased by 3.8 percent to 2.6 million tonnes.

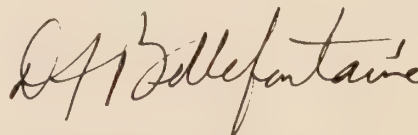
Containerized cargo volumes increased by 2.2 percent in 1993 to 2.5 million tonnes. Roll-on roll-off cargo declined 25.4 percent to 224,000 tonnes while water-borne grain volumes increased by 23.6 percent to 356,000 tonnes.

Revenue from operations remained relatively unchanged from the previous year reflecting the levelling off of the cargo volumes and static tariff rates. Operating expenses declined by over two percent in response to the Corporation's continuing effort to control expenditures. Salaries and wages remained frozen during the year and the staff level was reduced by seven percent largely through retirements. This close attention to controlling expenditures enabled the Corporation to improve upon its previous years net income results.

We wish to acknowledge the vital role played by the Corporation's customers and partners in the successes attained over the years and we commit to continuing our efforts to retain and increase the confidence they have demonstrated in the future of the Port of Halifax through their patronage, investment and support.



Lois A. Glibbery
Acting Chairman of the Board



David F. Bellefontaine
President and Chief Executive Officer



AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

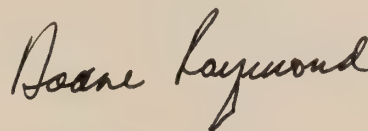
We have audited the balance sheet of Halifax Port Corporation as at December 31, 1993, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993, and the results of its operations and the changes in its financial position for the year then

ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.



Chartered Accountants

Halifax, Nova Scotia
January 26, 1994

BALANCE SHEET

As at December 31, 1993

ASSETS

Current

Current		
Cash	\$ 1,523	\$ 143,483
Investments (Note 3)	7,931,288	6,720,669
Accounts receivable	2,450,908	1,977,209
Grants in lieu of municipal taxes	142,594	91,409
Materials and supplies	53,955	61,337
	10,580,268	8,994,107
Accounts receivable	181,313	223,094
Property and equipment (Note 4)	55,533,536	56,663,804
	\$ 66,295,117	\$ 65,881,005

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 1,911,770	\$ 1,671,230
Deferred revenues	563,879	571,767
	2,475,649	2,242,997
Accrued employee benefits	714,911	827,828
	3,190,560	3,070,825

EQUITY

Contributed capital	50,856,865	50,856,865
Surplus	12,247,692	11,953,315
	63,104,557	62,810,180
	\$ 66,295,117	\$ 65,881,005

Contingent liabilities (Note 5)
See accompanying notes.

On behalf of the Board:



Lois A. Glibbery
Acting Chairman of the Board



David F. Bellefontaine
President and Chief Executive Officer

STATEMENTS OF EARNINGS AND SURPLUS

1993

1992

For the year ended December 31, 1993

Revenue from operations	\$ 10,801,089	\$ 10,818,361
Operating and administrative expenses	7,703,717	7,963,114
Depreciation	2,187,956	2,170,233
Grants in lieu of municipal taxes	985,400	991,647
	10,877,073	11,124,994
Loss from operations	(75,984)	(306,633)
Investment income	377,919	404,049
Interest expense		(67,677)
Loss (gain) on disposal of fixed assets	7,558	(8,927)
	370,361	345,299
Net earnings	\$ 294,377	\$ 38,666
Surplus, beginning of year	\$ 11,953,315	\$ 11,993,005
Net earnings	294,377	38,666
Dividend to Canada		(78,356)
Surplus, end of year	\$ 12,247,692	\$ 11,953,315

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

1993

1992

For the year ended December 31, 1993

Cash derived from (applied to)		
Operating		
Net earnings	\$ 294,377	\$ 38,666
Depreciation	2,187,956	2,170,233
Other	(105,359)	54,228
	2,376,974	2,263,127
Change in non-cash operating working capital	(283,736)	365,248
	2,093,238	2,628,375
Financing		
Decrease in accounts receivable	41,781	43,094
Increase in accounts payable	196	13,082
Loans from Canada		(2,714,506)
Dividend to Canada		(78,356)
	41,977	(2,736,686)
Investing		
Additions to property and equipment	(1,067,256)	(362,547)
Proceeds on disposal of assets	700	8,927
	(1,066,556)	(353,620)
Net increase (decrease) in cash and short-term investments	1,068,659	(461,931)
Cash and short-term investments, beginning of year	6,864,152	7,326,083
Cash and short-term investments, end of year	\$ 7,932,811	\$ 6,864,152

See accompanying notes.

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of Halifax to Halifax Port Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

	1993		1992	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short Term	\$ 7,931,288	\$ 8,099,000	\$ 6,720,669	\$ 6,827,100

4. PROPERTY AND EQUIPMENT

		1993		1992	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$ 24,550,606	\$	\$ 24,550,606	\$ 24,547,627
Dredging	2.5-6.7%	3,443,290	2,493,277	950,013	997,730
Berthing structures	2.5-10%	35,183,565	20,834,638	14,348,927	14,871,897
Buildings	2.5-10%	19,004,170	12,547,577	6,456,593	6,619,186
Utilities	3.3-10%	6,444,241	3,115,925	3,328,316	3,243,383
Road and surfaces	2.5-10%	8,639,220	5,917,661	2,721,559	3,058,151
Machinery and equipment	5-100%	9,994,888	7,155,676	2,839,212	3,058,271
Office furniture and equipment	20%	1,340,165	1,154,023	186,142	193,935
Projects under construction		152,168		152,168	73,624
		\$108,752,313	\$53,218,777	\$55,533,536	\$56,663,804

5. CONTINGENT LIABILITIES

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has quantified an amount of approximately \$2 million. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

BOARD OF DIRECTORS

Lois A. Glibbery

Acting Chairman

*Retired (Property Marketing Specialist, Royal LePage)
Dartmouth, N.S.*

Captain Ernest A. Coates*

*Retired (Esso Petroleum Canada)
Dartmouth, N.S.*

George H. Briand*

*Halifax Longshoremen's Association
I.L.A. Local 269
Halifax, N.S.*

Graham L. Thomas*

*President, Graham Thomas Agencies Ltd.
Halifax, N.S.*

** Audit Committee*

OFFICERS OF THE CORPORATION

Lois A. Glibbery

Acting Chairman

David F. Bellefontaine

Port Manager, President and Chief Executive Officer

Lorraine E. Brenton

Corporate Secretary

Claude L. Ball

Senior Vice President and Chief Operating Officer

Dennis W. Creamer

Vice President, Finance and Real Property

Patricia McDermott

Vice President, Marketing

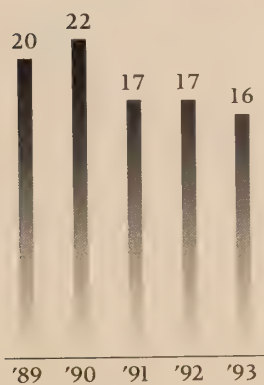
Peter J. MacKeigan

Chief Legal Officer



TOTAL TRAFFIC

T(million)



Throughout 1993, the Montréal Port Corporation continued to take initiatives to stimulate port activity in order to make the entire Port of Montréal system even more competitive. In addition, the Corporation again made cost control one of its top priorities so that it can continue to maintain its financial self-sufficiency and invest in the development of the port.

From 1986 to 1993 inclusively, the Corporation's operating and administrative expenses did not increase, but rather decreased. To reduce costs, the Corporation made changes to working methods and improved administration at all levels. Unfortunately, that was not enough, and it also had to reduce manpower and freeze salaries. Salaries have been frozen for management and non-unionized employees since July 1, 1992, and for unionized employees since January 1, 1993.

Control of operating costs has allowed the Corporation to institute measures -- from tariff freezes to tariff incentives -- that contribute to the overall competitiveness of the Port of Montréal. In 1993, the Corporation froze all of its tariffs and

once again improved its tariff incentive program for containerized cargo. With the tariff freeze and incentives, both of which have been maintained in 1994, wharfage charges on containerized cargo averaged \$2.10 per tonne, compared with the rate of \$2.25 in effect in 1984.

The Corporation also introduced specific tariff rebates to stimulate traffic in the non-containerized general cargo sector, as well as certain dry and liquid bulk traffic.

The Corporation intensified its efforts to explore new business opportunities in 1993 and appointed a shipping agency as the port's representative in the Ontario market. To support its mar-

keting and promotional efforts, the Corporation also will retain in 1994 the services of agencies to increase the port's representation in the American Midwest and Europe.

As a member of Advantage Canada, Montréal's Local Gateway Council created its steering committee in 1993; three technical subcommittees chaired by the Corporation are now at work to find ways to make the Port of Montréal even more competitive.

We are pleased to inform the shareholder that the Montréal Port Corporation has succeeded in meeting its main objectives and has taken all of these measures so that it can emerge from the recession and battle increased competition. Everything is in place for the Port of Montréal to experience growth along with the economy on the whole. Rebounds are forecasted for all cargo sectors, provided that the longshoremen and maritime employers, and the pilots of Saint-Laurent Central and the Laurentian Pilotage Authority, come to new agreements without hurting, in any way whatsoever, the reputation and competitiveness of the Port of Montréal.

1993 Results

Hit by the effects of the last recession, petroleum products traffic dropped to an all-time-low four million tonnes, bringing down by one million tonnes to 16.5 million tonnes the total amount of cargo handled at the Port of Montréal in 1993.

The Port of Montréal succeeded in weathering the storm of a difficult recession all the while maintaining its containerized general cargo traffic at record levels. Container traffic increased by 2.9 percent to reach an unprecedented 5.9 million

tonnes despite the continuing recession in Europe, the exceptional ice jams of February 1993 and fierce competition. A record 598,120 20-foot containers or the equivalent moved through the port in 1993. The Corporation forecasts that containerized cargo, the traffic category that has experienced the strongest growth at the Port of Montréal for more than 25 years, will reach new heights throughout the next five years.

On the whole, general cargo traffic totalled 6.6 million tonnes in 1993, an increase of 100,000 tonnes or 1.9 percent compared with the previous year. At about 700,000 tonnes, non-containerized general cargo traffic remained virtually stable compared with 1992. However the recession, combined with increased competition, hit this sector of activity hard over the last two years.

Petroleum products traffic dropped to a record-low four million tonnes in 1993, a decrease of 1.1 million tonnes or 21 percent. The effects of the recession meant there was less demand for gasoline and fuel oil.

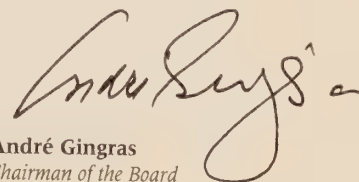
Grain traffic totalled 2.1 million tonnes in 1993, an increase of 5.6 percent. Despite this increase, grain traffic is far from what it was ten years ago, not only at the Port of Montréal, but throughout the entire St. Lawrence/Great Lakes System.

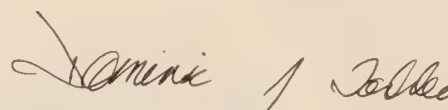
Other dry and liquid bulk traffic totalled 3.8 million tonnes in 1993, a decrease of about 200,000 tonnes or 3.5 percent. The last recession also hit hard this sector of activity.

In 1993, revenue from operations totalled \$52.4 million. The Corporation reported a net operating income of \$1.7 million in 1993, despite a \$900,000 decrease in revenue from operations. This figure was achieved following a \$1.7 million decrease in operating and administrative expenses. Net income, before an unusual item, totalled \$5.6 million, including net investment income of \$3.9 million. The \$5.8-million unusual item represents the sale of the Corporation subsidiary that operated Contrecoeur Terminal (the infrastructures remain the property of the Corporation), bringing the total net income to \$11.4 million.

The Montréal Port Corporation would like to thank all those involved in port activity -- on water and on land -- for their tremendous efforts during these difficult times and is deeply grateful for their continuing commitment to the Port of Montréal.




André Gingras
Chairman of the Board


Dominic J. Taddeo
President and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1993 and the statements of earnings, contributed capital and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations

and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and bylaws of the Corporation.

Sauveur Bélair
Deloitte & Touche

Chartered Accountants

Montréal, Quebec

February 4, 1994

BALANCE SHEET

	1993	1992
<i>As at December 31, 1993</i>		<i>(in thousands of dollars)</i>
ASSETS		
Current assets		
Cash	\$ 606	\$ 464
Investments (Note 3)	21,675	17,276
Accounts receivable	11,673	10,710
Materials and supplies	781	871
	34,735	29,321
Investment in a business held for resale	-	2,636
Long-term investments (Note 3)	27,456	27,317
Fixed assets (Note 4)	162,371	161,404
Deferred costs	636	591
Other assets	1,390	1,617
	\$ 226,588	\$ 222,886
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	\$ 6,981	\$ 7,682
Grants in lieu of municipal taxes	1,872	2,039
	8,853	9,721
Accrued employee benefits	4,339	3,862
Loans from the government of Canada (Note 6)	4,111	4,662
	17,303	18,245
EQUITY OF THE GOVERNMENT OF CANADA		
Contributed capital	153,919	158,919
Retained earnings	55,366	45,722
	209,285	204,641
	\$ 226,588	\$ 222,886

See accompanying notes.

On behalf of the Board:

André Gingras
André Gingras
Chairman of the Board

Dominic J. Taddeo
Dominic J. Taddeo
President and Chief Executive Officer

STATEMENTS OF EARNINGS
1993
1992
For the year ended December 31, 1993
(in thousands of dollars)

Revenue from operations	\$ 52,395	\$ 53,291
Operating and administrative expenses	35,145	37,616
Depreciation of fixed assets	10,762	10,254
Grants in lieu of municipal taxes	4,767	4,571
	50,674	52,441
Earnings from operations	1,721	850
Investment revenue	3,881	4,131
Earnings before the following item	5,602	4,981
Gain on realization of investment in a business held for resale	5,840	-
Net earnings	\$ 11,442	\$ 4,981

See accompanying notes.
STATEMENT OF CONTRIBUTED CAPITAL AND RETAINED EARNINGS
1993
1992
For the year ended December 31, 1993
(in thousands of dollars)

Contributed capital		
Balance, beginning of year	\$ 158,919	\$ 158,919
Special contribution to the government of Canada	(5,000)	-
Balance, end of year	\$ 153,919	\$ 158,919
Retained earnings		
Balance, beginning of year	\$ 45,722	\$ 42,064
Net earnings	11,442	4,981
Dividends	(1,798)	(1,323)
Balance, end of year	\$ 55,366	\$ 45,722

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1993

1992

For the year ended December 31, 1993

(in thousands of dollars)

Operating activities		
Net earnings	\$ 11,442	\$ 4,981
Items not affecting cash		
Depreciation of fixed assets	10,762	10,254
Amortization of deferred costs	35	20
Loss (profit) on disposal of fixed assets	84	(112)
Increase (decrease) in accrued employee benefits	477	(831)
Gain on realization of investment in a business held for resale	(5,840)	-
	16,960	14,312
Changes in non-cash operating working capital items (Note 7)	(1,773)	1,407
	15,187	15,719
Financing activities		
Repayment of current portion of loans from the government of Canada	(519)	(488)
Dividends paid	(1,798)	(1,323)
Special contribution to the government of Canada	(5,000)	-
	(7,317)	(1,811)
Investing activities		
Decrease in investment in a business held for resale	8,476	900
Increase in long-term investments	(139)	(140)
Acquisition of fixed assets	(11,813)	(9,624)
Disposal of fixed assets	-	133
Decrease in other assets	227	162
Increase in deferred costs	(80)	(611)
	(3,329)	(9,180)
Net cash inflow	4,541	4,728
Cash position, beginning of year	17,740	13,012
Cash position, end of year	\$ 22,281	\$ 17,740
Represented by		
Cash	\$ 606	\$ 464
Short-term investments	21,675	17,276
	\$ 22,281	\$ 17,740

See accompanying notes.

1. STATUS AND NATURE OF ACTIVITIES

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same *Act*, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs

The deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. INVESTMENTS

Funds are invested in direct and guaranteed securities of the Government of Canada. As at December 31, 1993, the market value of the short-term investments is equivalent to their amortized cost, and the market value of long-term investments is \$35,556,448 (\$32,616,808 in 1992).

4. FIXED ASSETS

1993

1992

(in thousands of dollars)

	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	-	\$ 49,121	\$ -	\$ 49,121	\$ 42,245
Dredging	2.5% - 10.0%	16,178	13,790	2,388	2,673
Berthing structures	2.5% - 10.0%	60,576	44,332	16,244	17,358
Buildings	2.5% - 10.0%	69,985	37,312	32,673	34,124
Utilities	3.3% - 10.0%	19,804	10,609	9,195	9,716
Roads and surface	2.5% - 10.0%	67,914	28,849	39,065	40,854
Machinery and equipment	5.0% - 33.3%	61,539	49,509	12,030	12,694
Office furniture and equipment	20.0% - 33.3%	5,927	4,390	1,537	1,530
		351,044	188,791	162,253	161,194
Projects under construction		118	-	118	210
		\$ 351,162	\$ 188,791	\$ 162,371	\$ 161,404

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

1993

1992

(in thousands of dollars)

Current portion of loans from the Government of Canada	\$ 551	\$ 519
Deferred revenue	334	152
Other	6,096	7,011
	\$ 6,981	\$ 7,682

6. LOANS FROM THE GOVERNMENT OF CANADA

1993

1992

(in thousands of dollars)

Loans, 6.25%, payable to 2000 in annual instalments of \$842,561 including interest	\$ 4,662	\$ 5,181
Current portion	551	519
	\$ 4,111	\$ 4,662

Principal repayment requirements over the next five years amount to:

1994	\$ 551,187
1995	585,636
1996	622,238
1997	661,128
1998	702,449

7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

1993

1992

(in thousands of dollars)

Accounts receivable	\$ (963)	\$ (840)
Materials and supplies	90	22
Accounts payable and accrued liabilities net of current portion of loans from Government of Canada	(733)	964
Grants in lieu of municipal taxes	(167)	1,261
	\$ (1,773)	\$ 1,407

8. CONTINGENCIES

Claims aggregating approximately \$3,900,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. COMMITMENTS

a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at \$116,000.

b) In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation would be required to pay a dividend, in respect of the 1993 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1994 would amount to approximately \$3,106,600 for 1993 and would be applied against retained earnings.

10. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties, including Canada and its agencies and other Crown corporations, and the business held for resale until the date of realization.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges and rental revenue and management fees. The expenses paid to related parties are principally administration fees.

BOARD OF DIRECTORS

André Gingras *

*Chairman
Chairman of the Board
André Gingras & associés Inc.
Westmount, Que.*

Roger Bishop

*Longshoremen's Union
CUPE/Local 375
Brossard, Que.*

Suzanne Brochu

*Director, Information and Public Affairs
Caisse de dépôt et placement du Québec
Montréal, Que.*

Raphaël Esposito *

*Notary
Esposito & associés
Montréal, Que.*

Hubert F. Pichet

*Lawyer
Deveau, Lavoie & associés
Laval, Que.*

** Members of the Executive Committee*

OFFICERS OF THE CORPORATION

André Gingras

Chairman of the Board

Dominic J. Taddeo

President and Chief Executive Officer

Roger Dubé

Vice President, Administration

Normand Fillion

Vice President, Marketing

Michel L. Lesage, Eng.

Vice President, Operations

Sylvie Vachon

Vice President, Human Resources

Jean Mongeau, Notary

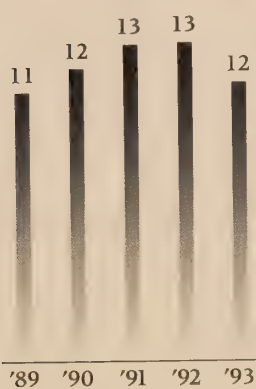
Corporate Secretary

PRINCE RUPERT PORT CORPORATION



TOTAL TRAFFIC

T(million)



As with many Canadian ports, the economic climate affected the throughput and financial performance of the Prince Rupert Port Corporation during 1993. However, despite a reduction in total tonnage throughput, the Prince Rupert Port Corporation is pleased with the 1993 results which show optimism for future growth in several commodities. Overall port traffic in 1993 declined by 12.2 percent, to 11.7 million tonnes, predominantly due to reductions in grain and coal throughput. On a more positive note, however, lumber movements saw a small increase over 1992 tonnage, reversing a three year decline. The port and the terminal operator are hopeful that this increase will continue as the lumber market improves. In addition, increases in woodpulp, due to increased shipments by the port's major pulp customer, provided a positive outlook for the continues growth in this area with shipments up 489 percent in 1993. Continental Grain Terminal showed an increase of 14 percent over 1992 volumes. Overall tonnage through Fairview Terminal showed an increase over 1992 of nine percent.

The number of ferry and cruise passengers through the port increased by two percent in 1993. This includes passengers travelling to Alaska on the Alaska Marine Highway System ferry and passengers within British Columbia travelling between Port Hardy on Vancouver Island and the northern terminus of Prince Rupert. A new ferry terminal for the Alaska Marine Highway system was completed in August as a result of a joint effort between the City of Prince Rupert, the Prince Rupert Port Corporation and the Alaska Marine Highways.

The major commodities which affected the overall tonnage reduction were coal and grain. Coal throughput at Ridley Terminals Inc. was down by nine percent over 1992 volumes. This reduction has been partially attributed to a labor disruption which affected rail service to the port. Grain volumes through Prince Rupert Grain Terminal at Ridley Island were down 16 percent over 1992 volumes, due in part to weather conditions and the availability of rail cars.

In June, the port announced that work would commence on a new pulp warehouse at Fairview Terminal. Tenders for the various components went out in late summer, and the actual ground breaking took place in early September. Completion of the building, and relocation of the rail line is on schedule and will be ready to receive the product by late February. A positive outcome of the warehouse development is the signing of a contract, by the port's terminal operator, to handle additional volumes of the product during 1994. The port's major woodpulp customer continues to express satisfaction with the efficiency and care with which their product is handled at Fairview, and they are looking forward to even greater improvements once the new warehouse is completed.

Another area in which the port has been very active during 1993 is the proposed development of liquid bulk facilities at South Kaien and Ridley Island. During the year, the Corporation began development work on a proposed methyl tertiary butyl ether plant and an liquefied petroleum gas shipping facility on South Kaien Island. Discussions with the proponents are ongoing and the port will continue with its efforts to develop this site during 1994.

1993 saw the formation of a Local Gateway Council made up of representatives from the shipping community who have an interest in the growth and development of traffic through the Port of Prince Rupert. The group includes representatives from the transportation industry, local unions, shippers, stevedores and shipping agents. The Council meets on a regular basis and is proving to be a useful forum for identification of issues and opportunities, and communication for the port community in Prince Rupert.

The financial results of the Port of Prince Rupert show operating revenues of \$12.9 million, a six percent decrease over 1992. Operating was \$1.0 million, and the Corporation showed a net loss of \$93,792. These results are directly attributable to the decline in tonnage and the added expenses relating to the development work undertaken on the petrochemical projects.

In accordance with the port's statutory obligation, it is a pleasure for the Prince Rupert Corporation to inform the Board of Directors, and the shareholders, that the progress is achieving its objectives, and that necessary procedures and controls are in place to ensure that safeguard of the Corporation's assets.

In conclusion, the Board of Directors, management and staff would like to thank everyone involved in waterfront activity in Prince Rupert for their effort and dedication during the year. 1994 marks the tenth anniversary of the formation of Prince Rupert as a local port corporation. With the expectation of continued growth in shipments through the port's facility, and the opening of the new pulp warehouse, this anniversary year is expected to be one of opportunity and challenge. The management is confident that the challenges of the upcoming year, and the coming decade, will be met with continued effort and involvement from local authorities and the shipping community.



Dolores D. MacIntosh

Dolores D. MacIntosh
Acting Chairman of the Board

Donald H. Krusel

Donald H. Krusel
President and Chief Executive Officer



AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1993 and the statements of operations and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations

and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

KPMG Peat Marwick Thorne

Chartered Accountants

New Westminster, British Columbia
January 28, 1994

BALANCE SHEET

1993

1992

As at December 31, 1993

ASSETS

Current assets:

Cash	\$ 600,253	\$ 408,569
Investments (note 2)	10,329,579	8,998,623
Accounts receivable	1,017,035	1,159,303
Materials and supplies	205,993	238,297

Property and equipment (note 3)	12,152,860	10,804,792
	99,542,097	100,693,547
	\$111,694,957	\$111,498,339

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 897,174	\$ 337,467
Grants in lieu of municipal taxes	866,896	735,139
Deferred revenues	240,307	236,423
Principal due within one year on loans from Canada	403,010	365,597

Loans from Canada (note 4)	2,407,387	1,674,626
	15,778,732	16,181,742

Equity of Canada:

Contributed capital	79,611,805	79,611,805
Surplus	13,897,033	14,030,166
	93,508,838	93,641,971
	\$111,694,957	\$111,498,339

Commitments (note 5)

See accompanying notes.

On behalf of the Board:

Dolores D. MacIntosh

Dolores D. MacIntosh
Acting Chairman of the Board

John D. McNish

John D. McNish
Director

STATEMENT OF OPERATIONS AND SURPLUS

1993

1992

For the year ended December 31, 1993

Revenue from operations	\$ 12,873,525	\$ 13,709,376
Expenses:		
Operating and administrative	8,907,153	8,537,093
Depreciation	2,383,371	2,484,172
Grants in lieu of municipal taxes	576,707	659,564
	11,867,231	11,680,829
Earnings from operations	1,006,294	2,028,547
Other earnings (expense):		
Interest	596,554	595,447
Interest expense	(1,696,640)	(1,730,580)
	(1,100,086)	(1,135,133)
Net (loss) earnings	(93,792)	893,414
Surplus, beginning of year	14,030,166	13,217,056
	13,936,374	14,110,470
Dividend to Canada	39,341	80,304
Surplus, end of year	\$ 13,897,033	\$ 14,030,166

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

1993

1992

*For the year ended December 31, 1993***CASH PROVIDED BY (USED IN):**

Operations:

Net (loss) earnings	\$ (93,792)	\$ 893,414
Items not involving cash:		
Depreciation	2,383,371	2,484,172
Changes in non-cash operating working capital:		
Accounts receivable	142,268	4,032,122
Materials and supplies	32,304	(16,294)
Accounts payable and accrued liabilities	559,707	9,293
Grants in lieu of municipal taxes	131,757	162,856
Deferred revenues	3,884	14,219
	3,159,499	7,579,782

Financing:

Decrease in payable to Canada	-	(3,545,675)
Decrease in loans from Canada	(365,597)	(331,659)
Dividend to Canada	(39,341)	(80,304)
Decrease in recoverable contribution from Canada	-	(48,300,000)
Increase in contributed capital	-	48,300,000
	(404,938)	(3,957,638)

Investment:

Purchase of property and equipment	(1,231,921)	(102,044)
Increase in cash position	1,522,640	3,520,100
Cash position, beginning of year	9,407,192	5,887,092
Cash position, end of year	\$ 10,929,832	\$ 9,407,192

Cash position is defined as:

Cash	\$ 600,253	\$ 408,569
Investments	10,329,579	8,998,623
Cash position	\$ 10,929,832	\$ 9,407,192

See accompanying notes.

LOCAL PORT CORPORATION

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Property and equipment

Property and equipment are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis on the cost less any grant received, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5 %
Berthing structures	2.5% - 10 %
Buildings	5 % - 10 %
Roads and surfaces	3.3% - 10 %
Utilities	5 % - 10 %
Machinery and equipment	5 % - 100 %
Office furniture and equipment	20 % - 33.3%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Government Services Canada (formerly Public Works Canada). Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. INVESTMENTS

	1993	1992
Amortized cost	\$ 10,329,579	\$ 8,998,623
Market value	\$ 10,338,522	\$ 8,993,980

3. PROPERTY AND EQUIPMENT

MENT	1993			1992
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 64,099,197	\$ —	\$ 64,099,197	\$ 64,099,197
Dredging	332,187	56,018	276,169	265,528
Berthing structures	36,129,994	7,967,963	28,162,031	29,376,995
Buildings	3,822,280	1,484,127	2,338,153	2,507,754
Roads and surfaces	6,573,131	4,121,568	2,451,563	2,871,888
Utilities	2,589,383	2,033,297	556,086	716,415
Machinery and equipment	2,400,618	1,838,688	561,930	721,676
Office furniture and equipment	423,035	350,874	72,161	52,966
Construction in progress	1,024,807	—	1,024,807	81,128
	\$117,394,632	\$ 17,852,535	\$ 99,542,097	\$100,693,547

4. LOANS FROM CANADA

	1993	1992
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	\$ 16,181,742	\$ 16,547,339
Less principal included in current liabilities	403,010	365,597
	\$ 15,778,732	\$ 16,181,742

Principal payment requirements over the next five years are approximately as follows:

1994	\$ 403,000
1995	444,000
1996	490,000
1997	540,000
1998	595,000
	\$ 2,472,000

5. COMMITMENTS

(a) The Corporation rents its premises under an operating lease which expires April 30, 1994. The future rent payable to the expiry date is as follows:

1994	\$ 27,088
------	-----------

(b) At December 31, 1993, commitments in connection with construction of a new pulp warehouse at Fairview Terminal and the acquisition of a terminal facility amounted to approximately \$1,500,000 and \$1,000,000 respectively.

6. RELATED PARTY TRANSACTIONS

(a) During the year, the Corporation recorded lease revenue of \$1,772,618 (1992 - \$1,939,560) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1993, accounts receivable included \$278,926 (1992 - \$161,014) from Ridley Terminals Inc.

(b) During the year, the Corporation paid \$649,623 (1992 - \$688,968) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1993, accounts payable included \$10,083 (1992 - \$22,608) to Canada Ports Corporation.

BOARD OF DIRECTORS

Donald H. Seidel*
Chairman (retired July 9, 1993)
Business Manager
Prince Rupert, B.C.

Dolores D. MacIntosh*
Vice Chairman/Acting Chairman (July 10, 1993)
Property Manager
Prince Rupert, B.C.

Don Brown**
Lawyer
Terrace, B.C.

Ronald A. Ciccone**
Agent, Mutual Life of Canada
Prince Rupert, B.C.

J. Robin Heather
Lawyer
Prince George, B.C.

William B. Hick
Physician (Retired)
White Rock, B.C.

John D. McNish **
Manager, Credit Bureau of Prince Rupert Ltd.
Prince Rupert, B.C.

* Executive Committee
** Audit Committee

OFFICERS OF THE CORPORATION

Dolores D. MacIntosh
Acting Chairman

Donald H. Krusel
President and Chief Executive Officer

Joseph Rektor
Manager, Finance and Administration

David G. Shearer
Manager, Engineering and Maintenance

Peter Turner
Manager, Operations/Harbour Master

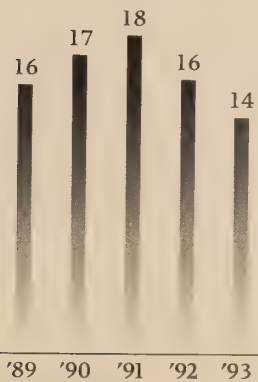
Peter L. Xotta
Manager, Business Development

Heather McLean
Corporate Secretary



TOTAL TRAFFIC

T(million)



For Canada's oldest port, 1993 has been a particularly difficult year. The Port of Québec Corporation's financial situation has been directly and harshly affected by the continual decline in grain exports.

The main factors affecting the Port of Québec's competitive edge are: the delay in concluding an agreement at the GATT level, the difficulty for the countries of the Community of Independent States in obtaining credit in order to finance their grain purchases and the weakness in the overseas market for pulp and paper. Therefore, the port has experienced a decrease in overall activity. Tonnage was down 14 percent or 2.2 million tonnes, bringing it to a total 13.7 million tonnes. A decrease of 2.1 million tonnes in grain exports explains 97 percent of this drop. This is all the more difficult since in 1992, the port had already suffered a 2.5 million tonne decrease compared to 1991. As well, forest products were down 200,000 tonnes compared to the previous year, directly related to the fall in newsprint exports.

On the other hand, some sectors of activity increased, with mineral concentrates up 20 percent, scrap metal increasing 37 percent and gasoline improving by seven percent.

The port welcomed more than 38,600 cruise ship passengers. Of the total, 7,700 passengers were in transit, compared with 4,300 the preceeding year. More and more, the Port of Québec is being looked upon as a final destination, so the port must consider different options in order to meet these requirements.

As far as investments go, the Corporation has limited itself to completing the current projects, mainly the grain cleaning facility and increasing the terminal's loading speed.

The Port of Québec's financial situation deteriorated because of three factors. Firstly, the federal government's withdrawal of \$33 million over the past seven years constrained the port's ability to invest in and renovate facilities and to weather the low economic situation during 1993. Secondly, with grain traffic experiencing consecutive poor performances and the commercial pressures from the Mississippi system for mineral concentrate shipments, together strongly affected the Corporation's operating income. Finally, the structure for negotiating work conditions between longshoremen and stevedores is outdated and prevents the adjustments needed for the new, dynamic North American market, particularly where bulk cargo is concerned.

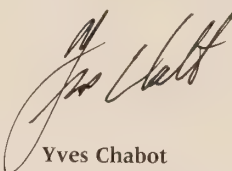
The operating income for 1993 was \$11 million, a drop of \$3.2 million compared with the preceeding year. The operating expenses decreased 8.1 percent for a total of \$14.1 million, with the operating deficit reaching \$3 million and the net deficit totalling \$2.9 million.

It is important to note that the Port of Québec reduced its "controllable" expenses by 26 percent (administration, salaries, maintenance etc.) over the past two years. Moreover, the effect of these important reductions will continue with an extra ten percent in 1994 and six percent in 1995. On the whole, between 1991 and 1995, the "controllable" expenses will have undergone a 42 percent decrease. With this in mind, the aggregated remuneration went from \$5.2 million in 1992 to \$4.7 million in 1993. The "non-controllable" expenses (taxes, police, National Office, assets transferred from the Vieux-Port, cost of energy; depreciation, rail manoeuvres) represented, in 1993, 67 percent of operating expenses. In 1994, we must concentrate on these "non-controllable" expenses. Moreover, we must, with all our partners, whether private or public, assure that our respective costs are reasonable and comparable to those of our competitors.

The Port of Québec Corporation is in a fragile position since it is the oldest Canadian port and major renovation work on its ground installations will be necessary in the near future.

May we take this opportunity to call upon the whole port community to make extra efforts in order to deliver the most economical intermodal transit. We wish to thank our employees and partners for their important involvement in rationalizing our activities.




Yves Chabot
Chairman of the Board


Ross Gaudreault
President and Chief Executive Officer



AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1993 and the statements of income, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations

and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

Best (Maurick Thorne)

Chartered Accountants

Québec, Quebec
February 18, 1994

BALANCE SHEET

As at December 31, 1993

ASSETS

Current assets:

Cash	\$ 481,213	\$ 1,225,315
Investments, at cost	3,442,804	-
Accounts receivable	2,052,774	4,464,187
Materials and supplies	160,223	159,989
	6,137,014	5,849,491
Long-term receivable	-	226,505
Fixed assets (note 3)	57,952,093	58,719,047
	\$ 64,089,107	\$ 64,795,043

LIABILITIES AND EQUITY OF CANADA

Current liabilities:

Accounts payable and accrued liabilities	\$ 1,161,476	\$ 1,939,426
Grants in lieu of municipal taxes	133,432	319,400
Deferred revenues	862,897	888,158
Current portion of long-term debt	149,324	71,562
	2,307,129	3,218,546
Long-term debt:		
Accrued employee benefits	1,042,000	1,000,000
Loans from interport loan fund (note 4)	6,479,114	3,428,438
	7,521,114	4,428,438

Equity of Canada:

Contributed capital	51,852,198	51,852,198
Surplus	2,408,666	5,295,861
	54,260,864	57,148,059
	\$ 64,089,107	\$ 64,795,043

Contingencies (note 7)

See accompanying notes to financial statements.

On behalf of the Board:

Yves Chabot
Yves Chabot
Chairman of the Board

Ross Gaudreault
Ross Gaudreault
President and Chief Executive Officer

STATEMENT OF INCOME

1993

1992

For the year ended December 31, 1993

Revenue from operations	\$ 11,039,270	\$ 14,287,504
Expenses:		
Operating and administrative	9,218,989	10,606,195
Depreciation of fixed assets	3,304,123	2,997,486
Grants in lieu of municipal taxes	1,536,072	1,702,631
	14,059,184	15,306,312
Loss from operations	(3,019,914)	(1,018,808)
Other income (expense):		
Investment income	42,334	89,352
Interest expense	(374,615)	(46,941)
	(332,281)	42,411
Loss before unusual items	(3,352,195)	(976,397)
Gain on settlement of grants in lieu of municipal taxes	315,000	-
Compensation received on a lease signature	150,000	-
	465,000	-
Loss	\$ (2,887,195)	\$ (976,397)

See accompanying notes to financial statements.

STATEMENT OF SURPLUS

1993

1992

For the year ended December 31, 1993

Balance at beginning of year	\$ 5,295,861	\$ 6,282,986
Loss	(2,887,195)	(976,397)
Dividend to Canada	-	(10,728)
Balance at end of year	\$ 2,408,666	\$ 5,295,861

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1993

1992

For the year ended December 31, 1993

Cash provided by (used for):		
Operations:		
Loss	\$ (2,887,195)	\$ (976,397)
Items not involving cash:		
Depreciation of fixed assets	3,304,123	2,997,486
Gain on disposal of fixed assets	(5,943)	(48,470)
Write-off of projects under construction	-	13,187
Accrued employee benefits	42,000	49,000
	452,985	2,034,806
Changes in non-cash operating working capital (note 5)	1,422,000	1,052,694
	1,874,985	3,087,500
Investment:		
Additions to fixed assets	(2,553,733)	(6,467,279)
Long-term receivable reclassified to current assets	226,505	-
Proceeds from disposal of fixed assets	22,507	57,659
	(2,304,721)	(6,409,620)
Financing:		
Loans from interport loan fund	3,200,000	3,500,000
Reimbursement of loans from interport loan fund	(71,562)	-
Dividend to Canada	-	(10,728)
	3,128,438	3,489,272
Increase in cash position	2,698,702	167,152
Cash position at beginning of year	1,225,315	1,058,163
Cash position at end of year	\$ 3,924,017	\$ 1,225,315
Cash position is represented by:		
Cash	\$ 481,213	\$ 1,225,315
Investments	3,442,804	-
	\$ 3,924,017	\$ 1,225,315

See accompanying notes to financial statements.

1. STATUS AND NATURE OF ACTIVITIES

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis commencing with the year the asset becomes operational, using the following annual rates:

Assets	Rates
Dredging	2.5% - 6.7%
Berthing structures	2.5% - 10%
Buildings	2.5% - 10%
Utilities	3.3% - 10%
Roads and surfaces	2.5% - 10%
Machinery and equipment	5% - 20%
Office furniture and equipment	20%

b) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

c) Insurance

The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

e) Employee benefits

The Corporation accrues estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

3. FIXED ASSETS

			1993	1992
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 11,155,836	\$ -	\$ 11,155,836	\$ 11,098,253
Dredging	4,561,342	4,091,612	469,730	497,791
Berthing structures	23,934,317	18,851,747	5,082,570	5,451,969
Buildings	42,122,809	19,371,330	22,751,479	17,415,905
Utilities	19,875,522	5,155,526	14,719,996	15,248,987
Roads and surfaces	6,303,120	4,945,761	1,357,359	1,373,865
Machinery and equipment	1,005,579	574,529	431,050	486,315
Office furniture and equipment	1,653,785	1,414,144	239,641	483,091
Projects under construction	1,744,432	-	1,744,432	6,662,871
	\$112,356,742	\$ 54,404,649	\$ 57,952,093	\$ 58,719,047

4. LOANS FROM INTERPORT LOAN FUND

	1993	1992
Loans bearing interest:		
8.5% and 8.73%, payable in annual instalments, of \$372,512 including interest, maturing in 2012	\$ 3,428,438	\$ 3,500,000
8.07% and 7.54%, payable in annual instalments, of \$320,839 including interest, maturing in 2013	3,200,000	-
	6,628,438	3,500,000
Current portion of long-term debt	149,324	71,562
	\$ 6,479,114	\$ 3,428,438

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 1993 are as follows: 1994 - \$149,324; 1995 - \$161,577; 1996 - \$174,838; 1997 - \$189,192 and 1998 - \$204,727.

5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	1993	1992
Accounts receivable	\$ 2,411,413	\$ 1,188,649
Materials and supplies	(234)	(6,777)
Accounts payable and accrued liabilities	(777,950)	(280,806)
Grants in lieu of municipal taxes	(185,968)	98,243
Deferred revenues	(25,261)	53,385
	\$ 1,422,000	\$ 1,052,694

6. RELATED PARTY TRANSACTIONS

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown Corporations.

Principally, the Corporation earned rental revenues of \$648,000 (\$743,000 in 1992) from related entities. The expenses paid to related parties mainly consist in reimbursements of \$761,000 (\$822,000 in 1992) to Canada Ports Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of \$42,000 (\$89,000 in 1992).

The Corporation has accounts payable of \$298,000 (\$292,000 in 1992) and accounts receivable of \$157,000 (\$295,000 in 1992) with the same related parties.

7. CONTINGENCIES

Claims aggregating approximately \$1,100,000 have been received by the Corporation in respect to lawsuits and various other matters in dispute. A provision of \$150,000 has been accounted for in the financial statements in relation with these contingencies. Any additional amount payable in connection with those claims will be capitalized to the cost of buildings.

In addition, claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

BOARD OF DIRECTORS**Yves Chabot**

*Chairman
Services Conseils Chabot
Québec, Que.*

Raymond Stuart McBain*

*Vice Chairman
President
Maritime Road Signals (filiale d'Halifax)
Sainte-Foy, Que.*

Denise Rancourt-Bélanger

*Lawyer
Lévis, Que.*

Yvon Dolbec*

*Chairman
Dolbec Y. Logistique Int'l Inc.
Sainte-Foy, Que.*

Claude Gagné*

*Sales Representative
Toshiba of Canada Ltd.
Vanier, Que.*

Jacques Pouliot

Québec, Que.

Roméo Savard

*Foreman
International Longshoremen's Association
Québec, Que.*

**Executive Committee*

OFFICERS OF THE CORPORATION**Ross Gaudreault**

President and Chief Executive Officer

Mario Bernard, c.a.

Vice President, Finance

Yvon Bureau

Vice President, Operations

Yvon Arsenault

Director, Police

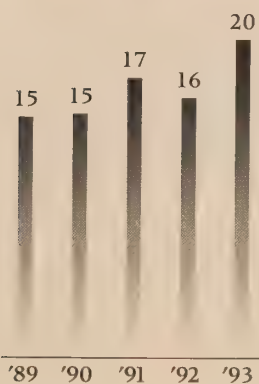
Alexis Ségal

Director, Commercial Affairs and Development



TOTAL TRAFFIC

T(million)



The Saint John Port Corporation is pleased to present its Annual Report on the Corporation's performance and activities for the year 1993. Significant progress was made in achieving corporate objectives and strengthening the position of the Port of Saint John as a major transportation centre in Atlantic Canada.

In fulfilling business development objectives, the Corporation is strengthening the traffic base of the port and developing new shipping opportunities by focusing on specific niche markets which have brought new customers to the port. During the year, \$5.8 million was spent on facilities redevelopment and capital projects. In terms of debt management, the Corporation continues to service its federal debt obligations and made a \$2 million prepayment on the principal. To strengthen our commitment to the environment, we are developing a Port Environment Plan and exploring alternative beneficial uses for marine sediments dredged from the Corporation's berths. Through an extensive consultation program, the Corporation is strengthening its working relationships and partnerships with customers, members of the port community, port labor, and municipal, provincial and federal governments.

Cargo shipment through the port reached a record level of 19.6 million tonnes in 1993. This increase of 23 percent over the previous year was predominantly due to the strong growth in petroleum shipments, which were up 29 percent to a record level of 16.6 million tonnes. Traffic through the port increased in many areas. Container traffic was up by 112 percent to 231,000 tonnes. The diversion of a number of ships to Saint John due to severe icing conditions in the St. Lawrence River accounted for most of the increase in container traffic. However, without

considering the diverted traffic, container shipments increased by approximately 20 percent. Other traffic grew by 18 percent to 679,000 tonnes with notable shipments of sugar, salt, peat moss, fertilizer, military and other cargoes. Due to price competition from other producing countries, potash shipments declined by 13 percent to 1.3 million tonnes. Also, forest products, were off by 11 percent to 763,000 tonnes due to weak international market conditions.

During 1993, the diversity of shipping services available through the Port of Saint John was increased. A new shipping service was initiated which offers Canadian importers and exporters access to the Central American countries of Costa Rica, Guatemala, Honduras and Panama. Also, another service was started between Saint John and the Red Sea and Arabian Gulf with connections to the Far East and Southeast Asia. Shipping services for the carriage of forest products were also strengthened during the year. A record number of cruise ship passengers visited Saint John during the year and the port is continuing to be recognized as an attractive port-of-call for cruise ships.

The Corporation made significant progress toward the completion of the facility redevelopment program. Major maintenance work of \$1.8 million included repairs to berth faces, paving of open terminal areas, dredging, shed roof repairs, painting, and other maintenance work. During the year, a floating roll-on roll-off ramp was constructed at a cost of \$3 million. This new facility provides for continuous cargo handling operations throughout the full tidal range and increases on-berth ship productivity. The Corporation is very

appreciative of the support of private sector companies, the Atlantic Canada Opportunities Agency, and the Province of New Brunswick, for funding assistance through the Canada-New Brunswick Cooperation Agreement on Economic Development for this project. A further \$1 million was spent on capital improvements for the construction of a new office building for the police detachment and other projects. In total, \$5.8 million was spent on improving port facilities which will provide better service to port customers and attract new business to the port.

Commitments to completing the Corporation's redevelopment program and continuing federal debt obligations contributed to the Corporation's first net loss since 1987. A small increase in revenue coupled with approximately a \$1.8 million increase in operating costs due to maintenance work reduced net income to \$187,000. An interest holiday during 1990 - 1992 on a portion of the Corporation's federal debt was not extended to 1993, resulting in an increase in interest expense over the previous year. However, in its efforts to manage its federal debt obligations, the Corporation made a payment of \$2 million on the principal of the federal debt.

The future of rail transportation in the Maritime Provinces is an issue of major concern to the Corporation. In 1993, CP Rail System filed applications with the National Transportation Agency (NTA) to abandon trackage in Nova Scotia, New Brunswick and Quebec. Also, in June 1993 the railway filed an application with the Interstate Commerce Commission (ICC) to abandon linking trackage in the State of Maine. The Corporation was an active intervenor in the NTA and ICC abandonment processes emphasizing the importance of CP Rail System service to the port and its customers. Subsequently, the NTA issued decision orders granting abandonment; however, on September 1, 1993 the Minister of Transport postponed abandonment until January 1, 1995, to ensure adequate time for all parties concerned to examine every option for the provision of rail transportation services and to work together toward solutions. In late 1993, CN North America and CP Rail System indicated that they were exploring a merger and rationalization of their rail operations in eastern Canada. The Corporation is actively working with port customers and other interested parties to develop options for the continuation of competitive rail transportation services to the Port of Saint John and southeastern New Brunswick.

The Port of Saint John plays a major role in support of Canada's international trade and makes a significant contribution to the economic growth and development of New Brunswick. We would like to express our sincere appreciation to our valued customers, our partners in the Saint John port community who work with us in serving our customers, and to be dedicated employees of the Saint John Port Corporation. With your continued support, we will continue to fulfil our objectives and enhance the position of the Port of Saint John as a major marine transportation centre.



Harry P. Gaunce
Chairman of the Board



Kenneth R. Krauter
General Manager and Chief Executive Officer



AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

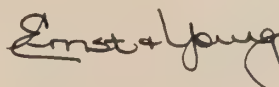
We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1993 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then

ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.



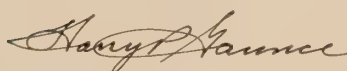
Chartered Accountants
Saint John, New Brunswick
February 3, 1994

BALANCE SHEET

	1993	1992
<i>As at December 31, 1993</i>		(in thousands of dollars)
ASSETS		
Current		
Cash	\$ 157	\$ 54
Investments (note 3)	1,098	4,129
Accounts receivable	759	1,085
Materials and supplies	8	18
	2,022	5,286
Long-term		
Long-term investments (note 3)	973	969
Fixed assets (note 4)	81,525	82,195
	82,498	83,164
Total assets	\$ 84,520	\$ 88,450
LIABILITIES AND EQUITY OF CANADA		
Current		
Accounts payable and accrued charges	\$ 1,349	\$ 1,780
Deferred revenues	288	345
Grants in lieu of municipal taxes	447	69
	2,084	2,194
Long-term		
Loans from Canada (note 5)	18,052	20,052
Financing provided by a province (note 6)	19,696	19,696
Accrued employee benefits	445	564
	38,193	40,312
	40,277	42,506
Equity of Canada		
Contributed capital	44,462	44,462
Retained earnings (deficit)	(219)	1,482
	44,243	45,944
Total liabilities and equity of Canada	\$ 84,520	\$ 88,450

See accompanying notes.

On behalf of the Board:



Harry P. Gaunce
Chairman of the Board



Kenneth R. Krauter
General Manager and Chief Executive Officer

STATEMENT OF INCOME AND RETAINED EARNINGS

1993

1992

*For the year ended December 31, 1993**(in thousands of dollars)*

Revenues from operations	\$ 11,669	\$ 11,459
Expenses		
Operating and administrative	7,911	6,720
Depreciation	2,716	2,721
Grants in lieu of municipal taxes	577	657
Loss on disposal of fixed assets	278	132
	11,482	10,230
Income from operations	187	1,229
Investment income	383	535
Interest expense	(2,271)	(1,605)
Net income (loss)	(1,701)	159
Retained earnings, beginning of year	1,482	1,323
Retained earnings (deficit), end of year	\$ (219)	\$ 1,482

See accompanying notes.

STATEMENT OF CASH FLOWS

1993

1992

*For the year ended December 31, 1993**(in thousands of dollars)***CASH PROVIDED BY (USED IN)**

Operations

Net income (loss)	\$ (1,701)	\$ 159
Add items not requiring a cash payment		
Depreciation	2,716	2,721
Loss on disposal of fixed assets	278	132
Other	(23)	(6)
	1,270	3,006
Net change in non-cash working capital balances [note 7]	226	(656)
	1,496	2,350

Financing

Capital grants	315	500
Repayment of loan to Canada	(2,000)	—
	(1,685)	500

Investing

Additions to fixed assets	(2,752)	(3,277)
Long-term investments	—	521
Proceeds on disposal of fixed assets	13	11
	(2,739)	(2,745)

Increase (decrease) in cash	(2,928)	105
Cash position, beginning of year	4,183	4,078
Cash position, end of year	\$ 1,255	\$ 4,183

*Cash position consists of cash and short-term investments.
See accompanying notes.*

1. CANADA PORTS CORPORATION ACT AND INCORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation - Port of Saint John.

2. SIGNIFICANT ACCOUNTING POLICIES**Investments**

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5 - 6.7
Berthing structures	2.5 - 10.0
Buildings	2.5 - 10.0
Utilities	3.3 - 10.0
Roads and surfaces	2.5 - 10.0
Machinery and equipment	5.0 - 100.0
Office furniture and equipment	20.0

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

1993

1992

(in thousands of dollars)

Investments are direct and guaranteed securities of Canada as follows:

	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$ 1,098	\$ 1,100	\$ 4,129	\$ 4,181
Canada Bonds	\$ 973	\$ 1,000	\$ 969	\$ 1,000

4. FIXED ASSETS**1993****1992***(in thousands of dollars)*

	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 31,715	\$ —	\$ 31,704	\$ —
Dredging	2,115	1,581	2,115	1,558
Berthing structures	66,327	34,711	64,874	33,245
Buildings	16,496	6,201	16,923	6,267
Utilities	8,517	4,936	8,538	4,602
Roads and surfaces	7,445	5,095	7,079	4,808
Machinery and equipment	995	558	1,012	612
Office furniture and equipment	1,391	1,236	1,326	1,157
Work under construction	842	—	873	—
	\$ 135,843	\$ 54,318	\$ 134,444	\$ 52,249
Accumulated depreciation	54,318		52,249	
Net book value	\$ 81,525		\$ 82,195	

5. LOANS FROM CANADA**1993****1992***(in thousands of dollars)*

Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	\$ 18,052	\$ 20,052
--	------------------	------------------

6. FINANCING PROVIDED BY A PROVINCE

The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1993 has been calculated accordingly. The province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, the current portion payable would be approximately \$394,000.

7. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES**1993****1992***(in thousands of dollars)*

Decrease (increase) in current assets		
Accounts receivable	\$ 326	\$ 215
Materials and supplies	10	8
	336	223
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	(431)	(129)
Deferred revenues	(57)	14
Grants in lieu of municipal taxes	378	(51)
Current portion of deferred interest contribution	—	(713)
	(110)	(879)
	\$ 226	\$ (656)

8. RELATED PARTY TRANSACTIONS

During the year the Corporation paid \$761,000 (1992 - \$822,000) to Canada Ports Corporation as its share of that Corporation's head office expense.

During the year the Corporation also paid \$796,960 [1992 - \$177,980] to Canada Ports Corporation for the provision of protective services.

BOARD OF DIRECTORS

Harry P. Gaunce *
Chairman
President
Armstrong & Bruce Insurance Limited
Saint John, N.B.

Henry Meinhardt * / **
Vice Chairman
President
Fundy Ventilation Ltd.
Saint John, N.B.

Kenneth J. Bourque ***
Marketing Manager
Utopia Fabricating Ltd.
Pennfield, N.B.

Shirley A. McAlary * / **
Deputy Mayor
City of Saint John
Saint John, N.B.

Robert M. Scott ***
Owner
R. M. Scott Insurance Agency Ltd.
Saint John, N.B.

William M. Thompson **
General Manager
New Brunswick Salmon
Growers' Association,
St. George, N.B.

Albert Vincent ***
Councillor
City of Saint John
Saint John, N.B.

* Executive Committee
** Public Affairs Committee
*** Audit Committee

OFFICERS OF THE CORPORATION

Harry P. Gaunce
Chairman
Henry Meinhardt
Vice Chairman
Kenneth R. Krauter
General Manager and Chief Executive Officer

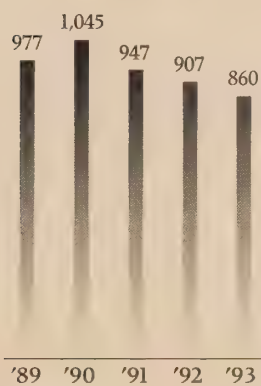
R. Adam McBride
Assistant General Manager
Peter D. Clark
Director, Marketing
Ardith L. Bartlett
Corporate Secretary

ST. JOHN'S PORT CORPORATION



TOTAL TRAFFIC

T(thousand)



**JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD
AND THE PORT MANAGER AND CHIEF EXECUTIVE OFFICER**

The St. John's Port Corporation is pleased to report its activities and results for the fiscal year 1993.

With the full support and encouragement of all port stakeholders, overall operating results were acceptable with port cargo tonnage at 860,000 tonnes; only some 6.5 percent below budget. This is despite the hard economic conditions which faced the province due to the east coast fishing crisis. For the third consecutive year, the Corporation held most charges and tariff rates at their 1991 levels. An additional incentive was provided by lowering wharfage rates. It is anticipated that these tariff revisions will assist all port users in their endeavour to develop further cargo opportunities. The Corporation's cooperative approach with operators, shippers, and other users will continue. Such meaningful dialogue will be in the port's collective best interest as it will assist in attracting additional cargo.

Revenues for 1993 were 6.3 percent below budget and some six percent below those for 1992. With expenses tightly monitored and controlled, the Corporation was able to achieve its objective for budgeted net income. The Corporation, for the

fourth consecutive year, will be providing a dividend to its shareholder, although not as substantial as those for the three previous years. The Corporation is pleased to advise of the early repayment, in mid 1993, of its term loan from the Government of Canada, due to mature December 31, 2000.

The majority of highway transport cargo is moved into the province via Marine Atlantic through the western terminal gateway between North Sydney, Nova Scotia and Port aux Basques, Newfoundland. However, with the implementation of a Local Gateway Council for the Port of St. John's, it is hoped that future opportunities

from this overland transportation route will develop. The Corporation is participating with the City of St. John's in cost-shared activities aimed at attracting other marine industries including cruise vessels. This activity will also continue, as results in this area can only be achieved by ongoing group promotional activities.

Some progress was made in acquiring additional port industrial lands as discussions have been ongoing with Transport Canada regarding the availability of some former surplus railway land area, presently being held by the department of Transport Canada. The related construction of a Maintenance Garage/Container Repair facility on such former railway land area has been postponed due to current market and economic conditions.

Discussions with parties interested in establishing a supply base related to the Hibernia Development Project took place over the year, and it is expected that such discussions will materialize in late 1994 or early 1995 with the appointment, by Hibernia Management Development Corporation, of an operator for the supply vessel base in the Port of St. John's.

In accordance with statutory obligations, we are pleased to inform the shareholder that all necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets and to achieve the objectives of the Corporation.

In conclusion, the Board of Directors, management, and staff of the Corporation, would like to express their sincere thanks and appreciation to our customers, partners, shipping lines, and labor force for their continued and ongoing support, effort and dedication during very difficult times. The port community jointly looks forward to the opportunities and challenges of the coming year with the collective anticipation that the port will once again improve its mission statement, and better serve Newfoundland and Labrador's distribution requirements in 1994.

Fred Milley
Chairman of the Board

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer



AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1993 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations

and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.

Chartered Accountants
St. John's, Newfoundland
January 28, 1994

BALANCE SHEET

	1993	1992
<i>As at December 31, 1993</i>		
ASSETS		
Current		
Cash	\$ 14,407	\$ 118,071
Investments (Note 3)	2,297,531	1,970,283
Accounts receivable	487,756	717,783
	2,799,694	2,806,137
Fixed (Note 4)	13,457,811	14,113,623
	\$ 16,257,505	\$ 16,919,760
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 265,281	\$ 229,346
Grants in lieu of municipal taxes	197,093	234,194
Deferred revenues	296,936	377,123
Current portion of loan from Canada		97,060
	759,310	937,723
Accrued employee benefits	128,717	114,899
Loan from Canada (Note 5)		986,242
	888,027	2,038,864
EQUITY OF CANADA		
Contributed capital	10,131,636	10,131,636
Surplus	5,237,842	4,749,260
	15,369,478	14,880,896
	\$ 16,257,505	\$ 16,919,760

Contingencies (Note 7)

See accompanying notes.

On behalf of the Board:

Fred Milley
Chairman of the Board

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

STATEMENTS OF EARNINGS AND SURPLUS

1993

1992

For the year ended December 31, 1993

Revenue from operations	\$ 3,287,036	\$ 3,495,532
Operating and administrative expenses	1,910,282	1,886,029
Depreciation	879,549	892,957
Grants in lieu of municipal taxes	73,108	82,839
	2,862,939	2,861,825
Earnings from operations	424,097	633,707
Investment income	102,928	226,941
Interest expense	(22,984)	(206,058)
Net earnings	\$ 504,041	\$ 654,590
Surplus, beginning of year	\$ 4,749,260	\$ 4,126,982
Net earnings	504,041	654,590
Dividend to Canada	(15,459)	(32,312)
Surplus, end of year	\$ 5,237,842	\$ 4,749,260

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1993

1992

*For the year ended December 31, 1993***CASH DERIVED FROM (APPLIED TO)**

Operating		
Net earnings	\$ 504,041	\$ 654,590
Depreciation	879,549	892,957
Other non-cash items	13,818	(38,776)
	1,397,408	1,508,771
Change in non-cash operating working capital (Note 6)	11,666	(219,918)
	1,409,074	1,288,853
Financing		
Change in construction payables	39,948	(54,014)
Loans from Canada	(986,242)	(1,419,864)
	(946,294)	(1,473,878)
Investing		
Purchase of fixed assets	(224,087)	(993,009)
Disposal of fixed assets	350	16,091
	(223,737)	(976,918)
Dividend to Canada	(15,459)	(32,312)
Net increase (decrease) in cash	223,584	(1,194,255)
Cash and short term investments		
Beginning of year	2,088,354	3,282,609
End of year	\$ 2,311,938	\$ 2,088,354

See accompanying notes.

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of St. John's to the St. John's Port Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. INVESTMENTS

	1993		1992	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$ 2,297,531	\$ 2,336,700	\$ 1,970,283	\$ 2,006,600

4. FIXED ASSETS

	1993		1992	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 4,735,248	\$	\$ 4,735,248	\$ 4,735,248
Berthing structures	10,926,843	6,703,260	4,223,583	4,534,366
Buildings	1,914,247	1,461,306	452,941	500,805
Utilities	3,367,189	1,389,839	1,977,350	2,100,027
Roads and surfaces	4,019,840	2,337,953	1,681,887	1,999,632
Machinery and equipment	357,918	156,711	201,207	172,920
Office furniture and equipment	294,758	221,209	73,549	65,191
Projects under construction	112,046		112,046	5,434
	\$25,728,089	\$12,270,278	\$13,457,811	\$14,113,623

5. LOAN FROM CANADA**1993****1992**

Term loan, bearing interest at 9.33%, maturing
December 31, 2000, repaid during the year.
Less: Current portion

\$	-	\$	1,083,302
			97,060
\$	-	\$	986,242

The loan from Canada is unsecured.

6. CHANGE IN NON-CASH OPERATING WORKING CAPITAL**1993****1992**

Accounts receivable
Accounts payable and accrued liabilities
Grants in lieu of municipal taxes
Deferred revenues
Current portion of loan from Canada

\$	230,027	\$	(206,045)
	(4,013)		42,686
	(37,101)		95,157
	(80,187)		15,913
	(97,060)		(167,629)
\$	11,666	\$	(219,918)

7. CONTINGENT LIABILITIES

Claims aggregating approximately \$364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

8. RELATED PARTY TRANSACTIONS:

During the year the Corporation paid \$232,008 (1992 - \$248,746) and \$224,202 (1992 - \$172,890) to Canada Ports Corporation as its share of that Corporation's head office expense and police services respectively.

BOARD OF DIRECTORS

Fred M. Milley */**
Chairman
St. John's, Nfld.

Faith Good */**
Vice Chairman
St. John's, Nfld.

Marbeth Andrews °
St. John's, Nfld.

Thomas Doyle */**
Sales Associate
Royal LePage Real Estate Services Ltd.
St. John's, Nfld.

Basil H. Jamieson ***
Freelance Broadcaster
St. John's, Nfld.

David Murphy *//****
President
Switchel Schooner Adventures
Marine Tourism Development
Topsail
Conception Bay South, Nfld.

Terence W. Pike ***
President
Financial Focus Incorporated
St. John's, Nfld.

* Executive Committee

** Executive and Compensation Committee

*** Audit Committee

° Deceased, as of July 1993

OFFICERS OF THE CORPORATION

Fred Milley
Chairman

Faith Good
Vice Chairman

David J. Fox
Port Manager and Chief Executive Officer

Brian Scott
Manager, Finance and Administration

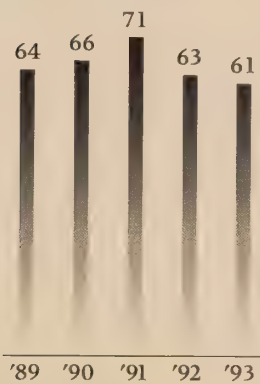
Captain Henry Flight
Harbour Master

Keith Rose
Corporate Secretary



TOTAL TRAFFIC

T(million)



While the Port of Vancouver did not grow in terms of total cargo volumes during 1993, the Vancouver Port Corporation (VPC) made progress toward realizing its long term vision -- helping the Port of Vancouver become the dominant port in North America in terms of facilities, service and cost-efficiency. During 1993, the Corporation focused its energies on five key objectives designed to help meet this vision: customer satisfaction, strategic land use, business and revenue growth, port promotion and achievement of results.

Customer satisfaction is critical to success in the increasingly competitive business climate faced by both ports and their customers. Consequently, the VPC has placed high priority on strategies to retain existing customers and provide capacity for anticipated incremental growth in bulk products, general cargo, containers and cruise.

To this end, it continued to drive the Port of Vancouver Stakeholder's program, launched in 1992 by the first Stakeholder's Conference. During 1993, industry Stakeholder Action teams made great strides toward addressing issues like grain capacity and rail/marine traffic coordination. Additionally, the VPC Board of Directors and other port decision-makers met with prairie customers to learn about and address their concerns during the first-ever "Port Users Conference" held in Calgary, which was followed by trips to Manitoba and Saskatchewan.

General cargo tariffs were greatly simplified, and to help the port meet future customer demand, the VPC continued with its aggressive plan of capital expansion. The redevelopment of Ballantyne Terminal to provide increased pulp and cruise capacity continued on schedule, while a new 150,000 square foot pulp shed at Lynnterm was completed and work began on a 250-foot berth extension. Environmental mitigation work took place at Roberts Bank in advance of construction of the Deltaport

Container Terminal. Also, draft policies were generated in cooperation with the City of Vancouver for the development of the Central Waterfront lands east of Canada Place, which will include cruise facilities, and potentially, hotel and convention space.

In managing its valuable land base, the VPC's objective is to ensure it is competitive with other ports in terms of the facilities and land resources it can offer its customers. Optimizing land use, planning for demand and managing an efficient development process are priorities addressed in the VPC's PORT 2010 Land Use Management Plan, which was released in draft form for comment at year's end. It identifies priorities and policies that the VPC will follow to guide development in the Port of Vancouver, and includes the project and environmental review processes that will be used to administer the policies.

In 1993, the VPC was also given responsibility for the Canada Place Corporation, administrators of the international landmark Canada Place -- an acquisition representing \$61 million in additional assets to the Corporation.

To realize business and revenue growth, the VPC continued to focus on increasing the container business by committing substantial resources to lay groundwork and receive approval for the new Deltaport container facility at Roberts Bank -- a \$180 million project for the Corporation.

Another aspect relating to business growth is the VPC's efforts to promote the Port of Vancouver locally and internationally. In the international arena, Vancouver became the first port in North America to staff an office in China, a rapidly growing economy with significant trade potential. It also continued to have representatives active in other Far East countries, Europe and eastern Canada.

Locally, relationships with adjoining municipalities grew more positive as the VPC intensified its consultation efforts. Projects such

as the Lynnterm berth extension, which will incorporate improved public waterfront access, were approved in a timely manner and without controversy as a result of open dialogue with the District and City of North Vancouver and the public. And the VPC and the City of Vancouver broke new ground by entering into a cooperative planning process regarding the port's Central Waterfront.

During 1993, the Corporation's internal focus was to create and sustain a working environment where teamwork and shared values encouraged employee participation and work process renewal. Employee teams completed detailed process reviews of practices in Property Administration and the Finance and Administration group, with a view to streamlining systems and providing better service to customers. Also, the Corporation identified and eliminated some services that modernization had rendered obsolete, resulting in a reduction of staff.

As the VPC strove to enhance service to customers and the port's competitive position, so did the port's private sector. Forest product terminal operators worked toward attaining ISO 9000 certification -- a quality assurance standard widely recognized in Europe and gaining favour among Asian customers. Bulk operators continued to upgrade their facilities and services, as did container operators. In the cruise sector, the port's terminal operator helped make the Ship-to-Shore travel conference another success, familiarizing more travel agents than ever before with the Vancouver-Alaska cruise experience.

However, despite widespread efforts to increase productivity and bring costs down, many Canadian exporters continued to face economic and competitive hardships in 1993, resulting in the port's overall tonnage falling from 63.3 million tonnes in 1992, to 60.8 million tonnes in 1993.

In the bulk sector, recovery in the coal sector was offset by a marginal crop year on grain tonnage and plummeting prices on sulphur tonnages. The consequence was a five percent drop in overall bulk totals, from 53.4 million tonnes to 50.9 million tonnes.

Total general cargo tonnage was up two percent to 6.4 million tonnes, due to increased pulp shipments from 2.0 million tonnes to 2.3 million tonnes. Lumber did not do as well, registering a decrease from 2.9 to 2.7 million tonnes.

Container tonnage was down slightly from 441,055 TEUs to 434,004 TEUs, reflecting the recession faced by Japan. However, cruise passenger traffic registered eleven years of consecutive growth by surpassing the half-million mark with 519,942 revenue passengers.

Financially, economic conditions and the Corporation's control on revenue increases meant revenues did not meet earlier projections. Actual 1993 consolidated results, including Canada Place Corporation for the period of March to December 1993, included operating revenues of \$56 million and a net income of \$11.1 million.

Capital expenditures totalled \$44.8 million, including \$0.5 million at Canada Place. A variety of terminal improvements, as well as preliminary development work at Deltaport, account for most of this total.

In 1993, the VPC worked toward meeting objectives based on a commercial discipline, and the goal of helping to improve the competitive position of its customers. It continued to solidify relationships with its partners in industry, and its customers -- ensuring the Port of Vancouver continues to play a vital role in serving Canada and its trade objectives.



J. R. Longstaffe

J. Ron Longstaffe
Chairman of the Board

Norman Stark
President and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of the Vancouver Port Corporation as at December 31, 1993 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of

the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.

Peter Mawick Thorne

Chartered Accountants

Vancouver, British Columbia

February 11, 1994

CONSOLIDATED BALANCE SHEET

	1993	1992
<i>As at December 31, 1993</i>		<i>(in thousands of dollars)</i>
ASSETS		
Current assets:		
Cash	\$ 1,868	\$ 1,339
Investments (note 3)	46,926	96,204
Accounts receivable	12,168	13,205
Materials and supplies	364	352
	61,326	111,100
Long-term receivables (note 4)	13,987	12,793
Property and equipment (note 5)	291,610	204,518
	\$ 366,923	\$ 328,411
LIABILITIES AND EQUITY OF CANADA		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,189	\$ 6,683
Grants in lieu of municipal taxes	6,054	5,567
Deferred revenues	3,810	4,212
	19,053	16,462
Accrued employee benefits	1,247	1,463
Loan from Canada (note 6)	2,396	2,704
	22,696	20,629
Equity of Canada:		
Contributed capital (note 2)	150,259	88,273
Retained earnings	193,968	219,509
	344,227	307,782
Commitments (note 8)		
Contingencies (note 9)		
	\$ 366,923	\$ 328,411

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. Ron Longstaffe

J. Ron Longstaffe
Chairman of the Board

Thomas G. White

Thomas G. White
Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
1993
1992
For the year ended December 31, 1993
(in thousands of dollars)

Operating revenue	\$ 55,572	\$ 57,650
Expenses:		
Operating and administrative expenses	34,016	27,011
Grants in lieu of municipal taxes	4,877	6,430
Depreciation	10,022	7,549
	48,915	40,990
Income from operations	6,657	16,660
Investment income	4,662	6,872
Interest expense	(224)	(244)
	4,438	6,628
Net income	11,095	23,288
Retained earnings, beginning of year	219,509	203,881
	230,604	227,169
Special payment to Canada	(30,000)	—
Dividend payment to Canada	(6,636)	(7,660)
Retained earnings, end of year	\$ 193,968	\$ 219,509

See accompanying notes to consolidated financial statements.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
1993
1992
For the year ended December 31, 1993
(in thousands of dollars)

Cash provided by (used for):		
Operations:		
Net income	\$ 11,095	\$ 23,288
Items not involving cash:		
Depreciation	10,022	7,549
Other	2,208	31
Changes in non cash operating working capital	3,661	(5,582)
	26,986	25,286
Financing:		
Contributed capital provided by Canada (note 2)	61,986	—
Special payment to Canada	(30,000)	—
Dividend payment to Canada	(6,636)	(7,660)
Long-term receivables	(1,274)	(6,260)
Loan from Canada currently payable	(308)	(286)
	23,768	(14,206)
Investments:		
Acquisition of Canada Place Corporation	(61,102)	—
Additions to property and equipment (net)	(38,401)	(10,328)
	(99,503)	(10,328)
Increase (decrease) in cash and investments	(48,749)	752
Cash and investments, beginning of year	97,543	96,791
Cash and investments, end of year	\$ 48,794	\$ 97,543

See accompanying notes to consolidated financial statements.

1. LOCAL PORT CORPORATION

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime exports and imports through the Port of Vancouver in the best interests of Canadians, and, in so doing, provide a gateway to world trade - in particular the Pacific Rim - which customers are eager to use and which has wide public support."

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Canada Place Corporation. All significant intercompany accounts and transactions have been eliminated since acquisition.

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(c) Pension costs

All permanent employees of the Corporation are covered by either the Public Service Superannuation Plan administered by the Government of Canada, or a private group retirement plan. Contributions to the plans are required from both the employees and the Corporation. Although both plans are defined benefit plans, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the Municipal Grants Act. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

2. ACQUISITION OF CANADA PLACE CORPORATION

In March 1993, the Corporation acquired for one dollar all the shares of Canada Place Corporation (formerly Canada Harbour Place Corporation), a federal Crown corporation. The \$61,986,000 excess of the net book value of this subsidiary at the date of acquisition over its cost to the Corporation has been credited to contributed capital. The acquisition has been accounted for by the purchase method and the results of the subsidiary's operations since March 1993 have been included in the consolidated statement of income and retained earnings.

3. INVESTMENTS

Current investments are in Government of Canada treasury bills and at December 31, 1993 and 1992 the market value of the treasury bills approximated carrying value.

4. LONG-TERM RECEIVABLES

1993

1992

(in thousands of dollars)

Long-term agreements for sale, bearing interest between 6-5/8% and 9% per annum, receivable in blended annual instalments totalling approximately \$1.8 million, maturing between 1996 and 2012	\$ 13,462	\$ 7,817
Less current portion	(755)	(589)
	12,707	7,228
Non interest bearing agreement with B.C. Rail, due as and when rail trackage is constructed on Roberts Bank causeway or April 1, 1994, whichever is earlier	3,947	3,947
Less current portion	(3,947)	—
	—	3,947
Fire protection costs, net of amortization	1,280	1,359
Other	—	259
	\$ 13,987	\$ 12,793

Current portion is reflected in accounts receivable.

5. PROPERTY AND EQUIPMENT

1993

1992

(in thousands of dollars)

	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 82,329	\$ —	\$ 82,329	\$ 79,755
Dredging	385	248	137	129
Berthing structures	68,144	31,519	36,625	36,980
Buildings	114,785	24,769	90,016	36,214
Utilities	20,789	8,957	11,832	10,728
Roads and surfaces	36,907	25,036	11,871	11,890
Machinery and equipment	32,128	13,560	18,568	18,971
Office furniture and equipment	9,856	5,498	4,358	1,216
Leased assets	6,200	310	5,890	—
Projects under construction	29,984	—	29,984	8,635
	\$ 401,507	\$ 109,897	\$ 291,610	\$ 204,518

Effective January 1, 1993, the Corporation entered into a \$6.2 million prepaid lease in respect of a building which has been capitalized, is included in the above amounts and is being amortized on a straight-line basis over the 20 year lease term.

6. LOAN FROM CANADA

1993

1992

(in thousands of dollars)

Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	\$ 2,704	\$ 2,990
Less current portion (included in accounts payable)	(308)	(286)
	<u>\$ 2,396</u>	<u>\$ 2,704</u>

Principal repayment requirements over the next five years are as follows:

1994	\$ 308,000
1995	331,000
1996	355,000
1997	382,000
1998	411,000
	<u>\$ 1,787,000</u>

7. RELATED PARTY TRANSACTIONS

In addition to the transactions described elsewhere in these consolidated financial statements, the Corporation paid \$2,227,000 (1992 - \$2,373,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

8. COMMITMENTS

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1993 are estimated at \$71.7 million.

It is the policy of all port corporations that each port corporation pay a dividend to Canada not later than March 31 based on a corporation's prior year's income. Dividends are recorded by the Corporation as a liability when declared.

9. CONTINGENCIES

(a) At December 31, 1993, the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$24.7 million (1992: \$20.4 million) greater than the amount accrued in the financial statements.

(b) Over a period of years, the Corporation has recorded revenues on certain leases which continue to be unresolved.

(c) There are estimated claims against the Corporation for approximately \$8.6 million plus unspecified damages. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for as prior period adjustment when known.

10. COMPARATIVE FIGURES

The 1992 comparative figures have been reclassified to conform to the grouping of accounts adopted in the current year.

BOARD OF DIRECTORS

J. Ron Longstaffe

*Chairman
Vancouver, B.C.*

Jane Frost

*Vice Chairman
Vancouver, B.C.*

Denis J. Coté, P. Eng.

Vancouver, B.C.

Lyall D. Knott, Q.C.

*Clark, Wilson
Barristers & Solicitors
Vancouver, B.C.*

Laurie G. Maranda

*Vice President
Choukalos, Woodburn, McKenzie,
Maranda Ltd.
Vancouver, B. C.*

Fredrick H. Peacock

Calgary, Alberta

T.G. White, C.A.

Williams Lake, B.C.

OFFICERS OF THE CORPORATION

J. Ron Longstaffe

Chairman

Jane E. Frost

Vice Chairman

Norman C. Stark

President and Chief Executive Officer

Thomas A. Shortridge

Executive Vice President

Donald G. Buggie

Vice President, Management Services

David J. Clarke

Vice President, Business and Planning

James O'Hara

Vice President, Port Promotion

Warren D. McCrimmon

Director, Legal Services and Corporate Secretary

BOARD OF DIRECTORS

Arnold E. Masters
Chairman of the Board
Montréal, Que.

James B. Powers
Vice Chairman
President and General Manager
Labrador Construction Co. Ltd.
St. John's, Nfld.

Jean Michel Tessier
President and Chief Executive Officer
Canada Ports Corporation
Ottawa, Ont.

Barbara Baird
Fredericton, N.B.

Dr. John Balkwill
Kanata, Ont.

Lawrence Fox
West Vancouver, B.C.

André Gingras
Chairman of the Board
Montréal Port Corporation
Montréal, Que.

Benedict J. Kuzmich
Candiac, Sask.

L. Allen Larson
Kamloops, B.C.

J. Ron Longstaffe
Chairman of the Board
Vancouver Port Corporation
Vancouver, B.C.

A.R. "Sandy" MacLean
Mayor
Dalhousie, N.B.

C. Peter MacLean
Antigonish, N.S.

W. Marsh
Margaree Forks, N.S.

Nels Nelson
President
Grimshaw Agencies
Grimshaw, Alta.

Donald A. Parker
Halifax, N.S.

Robert H. Vandewater
Vice President and Sr. Account Executive
Wood Gundy Inc.
Winnipeg, Man.

EXECUTIVE COMMITTEE

Chairman
Arnold E. Masters

Members
André Gingras
Benedict J. Kuzmich
J. Ron Longstaffe
Donald A. Parker

James B. Powers
Jean Michel Tessier
Robert H. Vandewater

AUDIT COMMITTEE

Chairman
Lawrence Fox

Members
L. Allen Larson
A.R. "Sandy" MacLean
C. Peter MacLean

W. Marsh
Nels Nelson
Robert H. Vandewater

PLANNING AND BUDGETING COMMITTEE

Chairman
Robert H. Vandewater

Members
Lawrence Fox
André Gingras
J. Ron Longstaffe
W. Marsh

Arnold E. Masters
James B. Powers
Jean Michel Tessier

POLICE COMMITTEE

Chairman
James B. Powers

Members
Barbara Baird
André Gingras
L. Allen Larson
J. Ron Longstaffe
A.R. "Sandy" MacLean

W. Marsh
Arnold E. Masters
Donald A. Parker
Jean Michel Tessier

LAW AND LEGISLATION COMMITTEE

Chairman
Barbara Baird

Members
Dr. John Balkwill
André Gingras
Arnold E. Masters

Donald A. Parker
James B. Powers
Jean Michel Tessier

COMMERCIAL ACTIVITIES COMMITTEE

Chairman
Arnold E. Masters

Members
Barbara Baird
Lawrence Fox
André Gingras
Benedict J. Kuzmich
J. Ron Longstaffe

C. Peter MacLean
Nels Nelson
Donald A. Parker
James B. Powers
Jean Michel Tessier

TECHNICAL OPERATIONS COMMITTEE

Chairman
Jean Michel Tessier

Members
Barbara Baird
Dr. John Balkwill
Benedict J. Kuzmich
L. Allen Larson

A.R. "Sandy" MacLean
Arnold E. Masters
Nels Nelson
James B. Powers

FINANCE COMMITTEE

Chairman
Robert H. Vandewater

Members
Lawrence Fox
L. Allen Larson
Arnold E. Masters

James B. Powers
Jean Michel Tessier

OFFICERS OF THE CORPORATION

Arnold E. Masters
Chairman of the Board

James B. Powers
Vice Chairman

Jean Michel Tessier
President and Chief Executive Officer

Hassan J. Ansary, Ph.D.
Executive Vice President

Robert W. Tytanek
Vice President, Operating Divisions

Roza Aronovitch
Vice President, Legal/Realty
and Corporate Secretary

Sidney Peckford
Director General, Ports Canada Police

MAILING ADDRESSES



CANADA PORTS CORPORATION

Port of Belledune

Belledune, NB
E0B 1G0
Tel.: (506) 522-2859
Fax: (506) 522-0803

Port of Churchill

c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port Colborne

c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port of Prescott

c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port Saguenay/Baie des Ha! Ha!

Lafontaine Street
P.O. Box 760
Chicoutimi QC G7H 5E1
Tel.: (418) 543-0263
Fax: (418) 543-4633

Port of Sept-Îles

421 Arnaud Street
Sept-Îles QC G4R 3B3
Tel.: (418) 968-1231
Fax: (418) 962-4445

Port of Trois-Rivières

1545 du Fleuve Street
P.O. Box 999
Trois-Rivières QC G9A 5K2
Tel.: (819) 378-3939
Fax: (819) 378-2487

National Office

99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

LOCAL PORT CORPORATIONS

Halifax Port Corporation

Ocean Terminals
P.O. Box 336
Halifax NS B3J 2P6
Tel.: (902) 426-3643
Fax: (902) 426-7335

Montréal Port Corporation

Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal QC H3C 3R5
Tel.: (514) 283-7042
Fax: (514) 283-0829

Prince Rupert Port Corporation

110-3rd Avenue West
Prince Rupert BC V8J 1K8
Tel.: (604) 627-7545
Fax: (604) 627-7101

Port of Québec Corporation

150 Dalhousie Street
P.O. Box 2268
Québec QC G1K 7P7
Tel.: (418) 648-3558
Fax: (418) 648-4160

Saint John Port Corporation

133 Prince William Street
P.O. Box 6429, Station A
Saint John NB E2L 4R8
Tel.: (506) 636-4869
Fax: (506) 636-4443

St. John's Port Corporation

3 Water Street
P.O. Box 6178
St. John's NF A1C 5X8
Tel.: (709) 772-4582
Fax: (709) 772-4689

Vancouver Port Corporation

1900-200 Granville Street
Vancouver BC V6C 2P9
Tel.: (604) 666-8966
Fax: (604) 666-1207

CAI
TAGG
-R25

Government
Publications



PORTS CANADA

1 9 9 4 A n n u a l R e p o r t





Ports Canada describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha! Ha!, Sept-Îles and Trois-Rivières. The Corporation also owns a bulk handling terminal in Prince Rupert, Ridley Terminals Inc.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.

TABLE OF CONTENTS

Canada Ports Corporation	3
Halifax Port Corporation	17
Montréal Port Corporation	23
Prince Rupert Port Corporation	31
Port of Québec Corporation	37
Saint John Port Corporation	43
St. John's Port Corporation	51
Vancouver Port Corporation	57
Corporate Directory	65

Total traffic represents waterborne cargo handled through terminals administered by Ports Canada ports, as well as waterborne traffic through private facilities within the jurisdiction of the member ports. In 1994, traffic increased by 11 percent to 184.7 million tonnes of cargo. Of this total, 153.7 million tonnes, or 83 percent, were handled by the seven local port corporations and 30.9 million tonnes by the eight ports administered by the Canada Ports Corporation. By method of handling, both dry and liquid bulk traffic rose by 11 percent; containerized traffic increased by 15 percent to a record 14.4 million; and non-containerized traffic was up by seven percent.

The increase in dry bulk traffic is explained mainly by higher coal and grain traffic, each up by 13 percent to reach 30.7 and 26.0 million tonnes, respectively, and by rising iron ore traffic which increased by eight percent to 23.3 million tonnes. Growth in coal and iron ore traffic came as a result of the recovery in the world steel industry. This led Western Europe and the United States to increase their purchases of Canadian iron ore while Asia purchased more Canadian coal. The increase in grain traffic is explained mainly by higher exports to Asia. Other major dry bulk cargoes such as potash and sulphur traffic recorded high growth rates in 1994, at 41 percent and 31 percent, respectively. The growth in liquid bulk traffic came mainly as a result of the large increase in petroleum products, in particular gasoline, which grew by 28 percent to a record 10.7 million tonnes in 1994.

In 1994, container traffic set a new record of 14.4 million tonnes or 1.6 million TEUs (twenty-foot-equivalent units) by surpassing the previous record traffic level of 12.9 million tonnes or 1.4 million TEUs in 1990. The surge in container traffic is explained by higher growth on the North Atlantic trade routes and increased trade with Asia.

All local port corporations, with the exception of Halifax, reported greater traffic levels in 1994. The ports of Montréal, Prince Rupert and Québec registered significant increases in their traffic while the Ports of Vancouver, Saint John and St. John's managed good traffic growth. In 1994, traffic at the Port of Montréal grew by 22 percent mainly as a result of higher petroleum products and

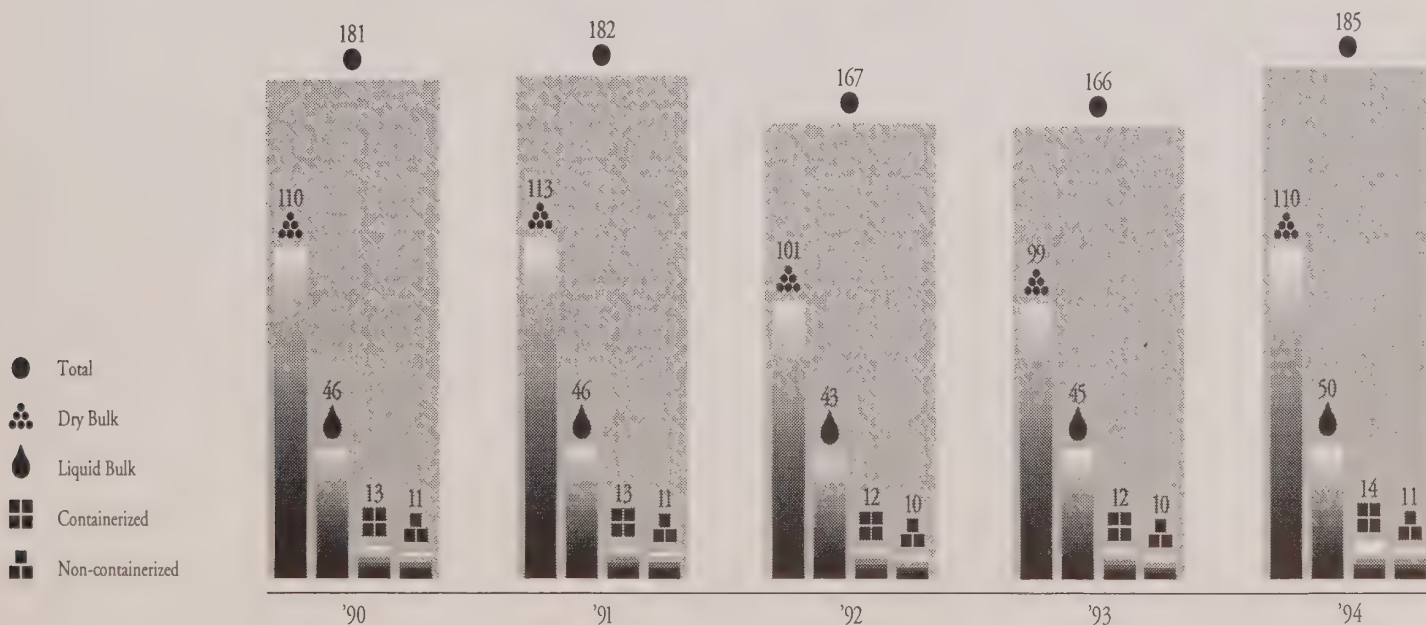
container traffic. Traffic increased by about 18 percent at the ports of Prince Rupert and Québec. This was a result of much higher grain and coal traffic at Prince Rupert, and strong growth in petroleum products traffic at Québec. Higher grain and coal traffic combined with a surge in potash, sulphur and container traffic are the major factors explaining the 11 percent increase in traffic at the Port of Vancouver. Traffic at both the ports of Saint John and St. John's rose by about eight percent. The increase at Saint John came as a result of higher petroleum products and potash traffic while the growth in petroleum products and container traffic explain the rise in traffic at the Port of St. John's. Although total traffic at the Port of Halifax remained at about the same level as in 1993, container traffic was slightly higher, petroleum products traffic declined and the volume of gypsum traffic increased substantially.

In 1994, all of the ports managed by the Canada Ports Corporation, with the exception of Port Colborne, recorded increased traffic levels. Significant growth in traffic was registered at the ports of Belledune and Prescott, while the ports of Churchill and Saguenay also reported good traffic increases. The Port of Sept-Îles registered a moderate increase in traffic while the Port of Trois-Rivières traffic rose marginally. At Baie des Ha! Ha!, traffic levels were the same as in 1993, while Port Colborne's traffic, which was only grain, fell from 43,000 to 13,000 tonnes. The 39 percent increase in traffic at the ports of Belledune and Prescott are from the large increase in coal traffic and grain traffic respectively.

Coal traffic was higher at Belledune since 1994 was the first full-year of operation of the Belledune generating station, which buys the coal that is handled at the port. Traffic at both the ports of Saguenay and Churchill grew by about 12 percent. The increase at Port Saguenay is explained by stronger forest products traffic, while higher grain traffic led to an increase in port traffic at Churchill. Higher iron ore and aluminum ores traffic led to a seven percent increase in traffic at the Port of Sept-Îles. Traffic at the Port of Trois-Rivières rose by only two percent, with declining grain traffic and higher liquid bulk traffic. The traffic level at Baie des Ha! Ha! was stable in 1994 as the small increase in dry bulk traffic compensated the large decrease in petroleum products traffic.

FIVE YEAR REVIEW OF TRAFFIC

T(million)



Revenue from operations for Ports Canada was \$232 million in 1994, breaking another record and showing a nine percent increase over 1993. Improved traffic volumes resulted in significant revenue increases, particularly at the ports of Vancouver and Montréal. In May 1994, Canada Ports Corporation took over the operation of the Prescott grain elevator. Accordingly, the financial results of Ports Canada include the operation of the elevator for the eight-month period. Operating expenses of \$184 million rose by \$2.5 million from 1993, partly as a result of Canada Ports Corporation's new involvement in the operation at the Port of Prescott.

Operating income of \$48 million was recorded for 1994. Funds from operations, being operating income before depreciation, were almost \$84 million. Other expenses reflect the extraordinary transactions of \$30 million, recorded as a result of the reduction in the carrying value of fixed assets at some ports. Consequently, Ports Canada recorded a net income of \$9 million in 1994 compared to \$29 million in 1993. Funds generated by operations and investments are the major source of financing to enable the ports to build the required facilities to remain competitive and effective.

In 1994, Ports Canada paid dividends of \$6 million based on the 1993 financial results.

The Interport Loan Fund (the Fund), administered by the Canada Ports Corporation, provides an alternative source of financing for financially viable capital projects of the Ports Canada system. Canada invested a total of \$50 million in the Fund. During

the year, Canada received \$4.7 million from the Fund as the return on its investment. Borrowings from the Fund in 1994 include funds advanced for the construction of handling and storage facilities for the Alouette project at the Port of Sept-Îles.

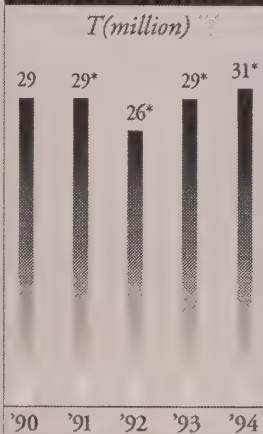
During the year, the Ports Canada system invested \$80 million in capital assets. These investments were financed primarily by internally generated funds and by some borrowings from the Fund. Major capital projects undertaken in 1994 include the development of Deltaport container terminal and the redevelopment of Ballantyne terminal at the Port of Vancouver. Also included are numerous minor projects for the expansion and maintenance of port infrastructure. This level of capital investments reflects the system's ongoing commitment to provide the most modern and efficient port facilities as is economically feasible.

	1994	1993	1992	1991	1990
	<i>(in millions except for average number of employees and ratios)</i>				
Financial results					
Revenue from operations	\$ 231.5	\$ 212.5	\$ 217.5	\$ 199.9	\$ 179.9
Operating expenses	183.6	181.1	170.8	169.4	155.0
Operating income	47.9	31.4	46.7	30.5	24.9
Other income (expenses) - net	(16.6)	13.6	16.7	20.3	29.7
Interest expense	22.1	22.0	22.6	14.1	4.7
Net income (loss)	9.1	29.2	40.8	(215.8)	50.1
Cash provided by operating activities	86.9	72.7	74.2	45.4	102.7
Financial position at year end					
Working capital	\$ 86.0	\$ 105.2	\$ 122.2	\$ 111.2	\$ 104.6
Fixed assets - at cost	1,485.2	1,430.2	1,297.9	1,260.6	1,186.3
Total assets	1,189.5	1,183.4	1,116.8	1,073.3	1,022.4
Long term debt	305.3	313.6	322.6	369.6	126.0
Equity of Canada	716.7	713.9	666.3	586.4	756.3
Capital expenditures	\$ 80.1	\$ 72.0	\$ 67.7	\$ 95.0	\$ 81.3
Federal capital financing					
Grants	\$ 0.2	\$ 0.5	\$ 13.0	\$ 32.7	\$ 11.1
Loans	0.0	0.0	0.0	0.0	12.8
Payments to Canada					
Dividends	\$ 6.3	\$ 8.6	\$ 9.2	\$ 12.6	\$ 11.7
Cash contributions	0.0	35.0	0.0	0.0	100.0
Employees					
Average number of employees	991	1,041	1,162	1,165	1,194
Ratios					
Operating revenue/tonne	\$ 1.21	\$ 1.24	\$ 1.26	\$ 1.08	\$ 1.00
Tonnes/employee	193,205	165,004	149,056	158,329	151,284
Cash from operating activities/total assets	7.3%	6.1%	6.6%	4.2%	10.0%
Debt : Equity ratio	43 : 57	44 : 56	48 : 52	63 : 37	17 : 83

CANADA PORTS CORPORATION



TOTAL TRAFFIC



Excludes Ridley Terminals Inc.



JOINT MESSAGE FROM THE ACTING CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our transportation system is moving towards a more commercial and deregulated approach to transportation management, permitting the system components to respond to the competitive forces of the marketplace and the fiscal realities of changing times. Transportation remains essential to Canada's well being and ports must fulfill their role to ensure a streamlined, integrated, multimodal network competing on a global scale yet satisfying the local demands of our individual clients.

This transition, set in motion by recessionary forces, will undoubtedly continue until a commercially acceptable balance has been achieved. The private sector has been rationalizing operations based on the need for absolute efficiency in a transportation system and the federal government has also been reviewing the way it does business. Transport Canada has concluded that it cannot afford its traditional transportation subsidies; there is over-capacity in all modes; rationalization of infrastructure is required and capital investments must be very selective. In response to this environment and to meet specific shareholder expectations, the Corporation sought to enhance both its commercial philosophy and its business practices. This was the overall focus of the Corporation in 1994.

The Corporation responded to this environment by making internal adjustments to reduce administrative and operational costs both at National Office and the Divisional Ports. During the second half of 1994, a committee of Canada Ports Corporation Directors initiated a review of National Office functions and staffing levels, the results of which were to be reflected in the 1995 National Office operating budget. As part of the budget preparation process, consultations were held with the local port corporations. It was recognized that while Ports Canada traffic showed a significant annual increase of eleven percent to 185 million tonnes, the competitive pressures on the shipping community continued to focus attention on all components of port costs.

During the year, the Corporation dealt with a number of major issues presenting challenges to the port system as a whole. Perhaps the most all-encompassing matter was the Marine Policy Review initiated by the Minister of Transport. The purpose of the review, which is expected to continue well into 1995, is to seek a more efficient and better fiscal management in the marine sector, including ports. Commercialization, the application of market discipline and business principles to traditional government activities, will be explored leading to deregulation, rationalization of infrastructure and management opportunities for the private sector.

The Corporation also sought to advance the matter of increased deregulation for the port system, a process whereby more authority would be passed to the Corporation and the ports with the objective of maintaining an appropriate degree of accountability but reducing some of the current administrative requirements of government central agencies. Marked progress was made in this regard and deregulation will continue to be a corporate objective.

The Divisional Ports continued to play a major role in support of local and regional economies. In Belledune, a port master plan was initiated to ensure appropriate development strategies were in place to accommodate new commercial opportunities, leading to the approval of a major terminal expansion. Trois-Rivières, Sept-Îles and Port Saguenay continued to provide local industries with efficient port operations. In Prescott, the Corporation successfully assumed the operation of the grain elevator and in Churchill, a tight cost control program served to reduce expenses. Remedial measures relating to the environmental audit recommendations were undertaken in the ports.

The Chairman of the Board since 1992, Mr. Arnold E. Masters stepped down in February 1995. The Board of Directors acknowledges and appreciates Mr. Masters' dedication during his tenure and extends to him and his family, their best wishes for a happy retirement filled with good health.

In accordance with our statutory obligations, we can confidently report to the Board of Directors and the shareholder, the Government of Canada, that the Corporation did achieve considerable and measurable progress in 1994 in pursuing its objectives through appropriate strategies and that the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

The year 1994 was certainly no less challenging than any previous year. The port environment continues to be dynamic, exposing management to a wide variety of situations demanding sound management skills and creative solutions. We would like to acknowledge the support of our shareholder, the guidance of the Canada Ports Corporation Board of Directors and the dedicated support and service of our employees.

James B. Powers
Acting Chairman of the Board

Jean Michel Tessier
President and Chief Executive Officer

Canada Ports Corporation is made up of eight non-corporate ports, known as divisional ports and its wholly own subsidiary, Ridley Terminals Inc., a bulk handling terminal. The divisional ports are located in Belledune, New Brunswick; Sept-Îles, Trois-Rivières and Port Saguenay/Baie des Ha! Ha! in Quebec; Port Colborne and Prescott in Ontario; and Churchill, Manitoba.

Ridley Terminals Inc. (RTI) which specializes in handling coal, is located at the Port of Prince Rupert, British Columbia. The divisional ports and RTI play a key role in their respective local and regional economies. Local industries are dependent on the facilities provided and are often the primary link in both national and international markets.

Dry bulk traffic handled by the Canada Ports Corporation, includes iron ore, aluminum ores, such as bauxite and alumina, grain and coal. Liquid bulk traffic is made up primarily of petroleum products while forest products are examples of general cargo handled. The divisional ports and RTI constitute an integral part of the total Ports Canada system. While their sphere of influence is often more regional than national, the overall economic well-being of the community is clearly linked to these facilities.

In 1994, divisional ports handled a total of 30.9 million tonnes of cargo, a seven percent increase over the 28.9 million tonnes reported in 1993. The total represents 17 percent of the 184.7 million tonnes handled by the Ports Canada system in 1994.

A higher level of total traffic was recorded at seven of the eight divisional ports. The Port of Sept-Îles, which accounts for about three-quarters of the divisional ports traffic, managed to increase its traffic by seven percent to 22.8 million tonnes in 1994. This positive result was due to higher iron ore traffic, which climbed from 19.0 to 20.7 million tonnes, and stronger movements of aluminium ore, which grew from 440,000 tonnes to 477,000 tonnes. Recovery in the world steel industry and higher demand for aluminum explain these increases.

At Port Saguenay/Baie des Ha! Ha!, total port traffic increased marginally in 1994 to 4.4 million tonnes. Traffic at Port Saguenay facilities increased 12 percent to 308,000 tonnes in 1994 as a result of stronger forest products traffic. The Baie des Ha! Ha! traffic level was 4.1 million tonnes in 1994 which was about the same level as the previous year. Aluminum ores traffic, which increased four percent to reach 3.3 million tonnes, offset the decline in petroleum traffic, which fell by more than half to 81,000 tonnes.

At the Port of Trois-Rivières, total port traffic recorded a small increase from 1,719,000 to 1,756,000 tonnes. Grain traffic fell 12 percent to 534,000 tonnes as a result of lower exports of Canadian grain. This decrease in grain traffic was compensated with higher liquid bulk traffic which jumped 31 percent to 351,000 tonnes in 1994, as a result of the more than doubling of caustic soda traffic to 132,000 tonnes.

The increase in coal traffic at the Port of Belledune resulted in the port's total traffic recording a growth rate of nearly 40 percent to 1.1 million tonnes in 1994. Coal traffic climbed to 740,000 tonnes from 494,000 tonnes in 1993. The first full year of operation of the Belledune generating station explains this increase in coal traffic.

At the Port of Prescott, total port traffic increased from 402,000 to 554,000 tonnes in 1994. The large increase in traffic is explained by the surge in grain traffic which more than doubled to 293,000 tonnes. In 1994, grain traffic rebounded to a level which was closer to the historical average following the low traffic levels in 1993. As for the other dry bulk commodities, salt traffic at the port recorded an increase from 119,000 to 184,000 tonnes, while aggregate traffic fell considerably from 142,000 to 77,000 tonnes.

Grain traffic growth at the Port of Churchill lead to total traffic increasing from 291,000 to 322,000 tonnes in 1994. Grain traffic, which consisted of wheat, increased by 50,000 to 291,000 tonnes in 1994. This level of grain traffic was still insufficient to cover the port operating expenses.

At Port Colborne, which only involved the operation of the Port Colborne grain elevator, traffic fell from 43,000 to 13,000 tonnes in 1994. The grain elevator, which is mainly used in the Ontario feed grain market, also recorded a decline in throughput from 197,000 to 158,000 tonnes in 1994. These throughput figures include truck, rail and vessels shipments and receipts.

RTI traffic recorded an increase from 5.6 to 6.8 million tonnes in 1994. Coal traffic jumped 22 percent to 6.7 million tonnes above the level specified under the long term contracts with the Japanese steel industry. This increase was caused in part by the impact of the 1993 BC Rail strike. In 1994, to compensate for the decrease of the previous year, higher coal shipments were handled. A rail disruption in Australia in 1994 also lead to increased demand for Canadian coal.

The financial overview of the Canada Ports Corporation includes the financial results of RTI. The Corporation has achieved a good performance in 1994 due to an increase in the traffic volume. RTI and the ports of Prescott and Belledune contributed significantly to the favourable operating results for the year.

Principal Operations: The principal operations of Canada Ports Corporation are defined by the activities of the divisional ports and RTI.

Revenue from Operations: Revenue from operations in 1994 was up by eleven percent from the previous year to \$60.8 million, of which 62 percent was generated by RTI. A significant improvement of \$4.3 million during the year is largely attributed to Prescott, which started operating its grain elevator in May 1994; a full year of revenues generated from the new coal wharf at Belledune; and a higher volume of grain handled at Churchill.

Operating Expenses: Operating expenses in 1994 increased by \$3.4 million to \$33.8 million. The rise primarily reflects the operation of the grain elevator at Prescott, as well as higher expenses at RTI, due to major repairs performed as a result of a larger volume of traffic handled during the year. Lower depreciation expense is mainly attributable to the write-down in the value of fixed assets at Saguenay and Churchill.

Income from Operations: Income from operations at \$27 million was up by \$2.5 million over 1993. It primarily includes the operating income of RTI and the ports of Sept-Îles and Belledune with \$21.1 million, \$3.0 million and \$3.3 million respectively.

Investment Income: Investment income of \$3.5 million has increased by nine percent compared to one year earlier, due to increase in the investment base and the higher yields obtained in 1994.

Interest Expense: Interest expense of \$17.6 million increased by \$0.5 million mainly due to an additional transfer from the Interport Loan Fund to Sept-Îles as well as a higher rate on RTI's variable interest revolving note.

Write-down of fixed assets: Two ports recorded a write-down in the net value of their fixed assets. Saguenay decreased the value of the Albert Maltais wharf by \$1.9 million and Churchill wrote down its depreciable assets by \$5.7 million to a net book value of \$1.

The write-down was made due to the fact that past and future revenues are insufficient to cover the carrying value of these assets.

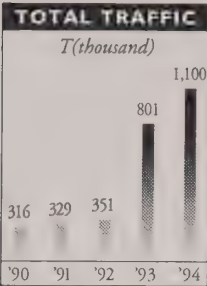
Net income: Net income at \$5.3 million was down by \$5.2 million when compared with 1993. The decline is attributable to the write-down in the value of fixed assets by \$7.6 million. Excluding this unusual item, net income increased by \$2.4 million due to the full year of operations of the new coal wharf at Belledune, as well as the fact that no depreciation was recorded this year at Churchill. RTI, and the ports of Prescott and Belledune are the major contributors to the net income with \$8.4 million, \$1.4 million and \$1.1 million respectively, while the ports of Saguenay and Churchill show a loss of \$1.7 million and \$6 million respectively.

Dividend to Canada: In 1994, the Corporation paid a dividend to Canada of \$243,000 based on the 1993 results.

Interport Loan Fund: The Fund was established by Canada in 1989 to provide financing for financially viable capital projects of the Ports Canada corporations. Canada has a total investment of \$50 million in the Fund. In 1994, the Fund advanced \$4.7 million to Sept-Îles for a capital project. It also paid a dividend to Canada on its investment in the amount of \$4.7 million.

Capital Investments: In 1994, the Corporation invested \$5.9 million in the construction of new facilities and in the improvement of existing ones. While the Corporation received capital grants of \$0.2 million from Canada for the St. Alexis Wharf project at Baie des Ha! Ha!, the balance of the capital investments were financed by borrowings and internally generated funds.

PORT OF BELLEDUNE



The Port of Belledune is situated on the south shore of the *Baie des Chaleurs*, in northeastern New Brunswick, about thirty-five kilometers northwest of Bathurst and fifty kilometers east of Dalhousie. The port has two wharves to handle liquid and dry bulk cargo. The first wharf, 167 meters in length, is leased to Brunswick Mining and Smelting Corporation. In addition, Shell Canada operates a petroleum products terminal at the facility. The wharf is equipped to handle self-unloaders and ships up to 45,000 DWT (dead weight tonnes).

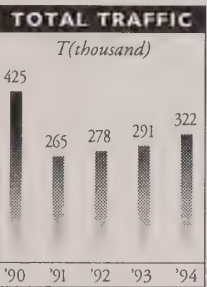
In 1992, a second wharf was built by the Canada Ports Corporation to handle imported coal for the Belledune Generating Station, owned and operated by the New Brunswick Power Corporation. The new wharf is approximately 300 meters in length, with water depth alongside of 15.9 meters. New Brunswick Power Corporation installed ship unloading equipment and covered conveyor system to link the wharf to the generating station, designed to receive and store coal.

Following the construction of the generating station, the Port of Belledune has been evolving quickly. In 1994, the port prepared a master development plan after conducting extensive market research. Construction of a \$32.2 million mixed general and bulk cargo terminal was recently approved.

Port traffic reached an all-time high in 1994 of 1.1 million tonnes, up from 801,000 tonnes in 1993. Of the total, 740,000 tonnes was bituminous coal, 198,000 was phosphate rock and 57,000 tonnes was petroleum products. The port also handled coke, metallic ore and concentrates and fertilizer.

The Port of Belledune recorded another strong year, with operating revenues up 32 percent to \$4.8 million, compared to \$3.7 million in 1993. Operating expenses also rose by 15 percent to \$1.5 million, from \$1.3 million. The port's operating results showed a profit of \$1.1 million in 1994, compared to \$0.2 million in 1993.

PORT OF CHURCHILL



The Port of Churchill, located on the western shore of Hudson Bay, continued its primary role of exporting western Canadian grain. This year marked the 65th year grain was shipped through the elevator. Another important function is the re-supply of northern communities in the Keewatin region of the Northwest Territories.

Total port traffic increased by eleven percent from 291,000 tonnes in 1993, to 322,000 tonnes in 1994. Nine ships carried 291,000 tonnes of western Canadian wheat destined for Brazil, Mexico and Egypt. This amount accounted for 90 percent of total port traffic. The northern re-supply operations increased from 30,000 tonnes in 1993, to 31,000 tonnes in 1994. This traffic consisted mainly of petroleum products, building materials, vehicles, equipment and other essential supplies.

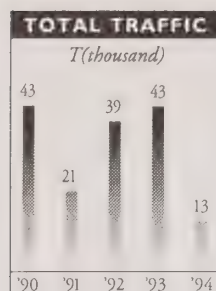
Tourism continued to be important to the Port of Churchill.

Approximately 900 tourists from around the world toured the facilities during the year.

In 1994, two government task forces were established by the Honourable Lloyd Axworthy, Minister of Western Economic Diversification to examine VIA Rail and the future of the port. Both task forces completed their reports and recommended viable options for the city, Port of Churchill and Hudson Bay Rail line.

Total operating revenues increased by 32 percent in 1994 to \$4.1 million from \$3.1 million in 1993. An increase in grain traffic and a positive grain audit contributed to the growth. Operating expenses were \$4.5 million in 1994, compared to \$4.8 million in 1993. The Port of Churchill had a net loss of \$6 million, compared with \$1.7 million in 1993, due to the write-down of the value of its fixed assets by \$5.7 million.

PORT COLBORNE

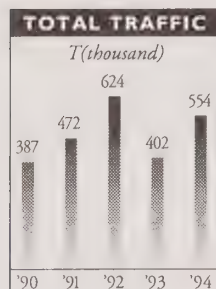


Situated at the southern entrance to the Welland Canal on Lake Erie, Port Colborne specializes in the handling of domestic grain. In 1986, the Corporation leased its grain elevator facility to Goderich Elevators Limited, under the terms of a twenty-year agreement. As well, in an effort to diversify operations, a portion of the port's waterlot was leased to the City of Port Colborne for the operation of Sugarloaf Harbour Marina. The marina serves transient and seasonal craft and has facilities for repairs and a restaurant.

Two ships called at the port in 1994 compared to ten the previous year. Total waterborne grain traffic declined from 43,000 tonnes in 1993, to 13,000 tonnes in 1994. However, the volume represented only a portion of the overall grain moved through the facility by truck and rail.

In 1994, operating revenues totalled \$143,000, equal to the previous year. However, operating expenses declined considerably from \$412,000 in 1993, to \$147,000 as the dust control asset was fully realized in 1993. Consequently, the operating loss fell sharply from \$269,000 in 1993, to \$3,000 in 1994. Investment income of \$376,000 provided the port with a net profit of \$372,000 for the year, compared to \$88,000 in 1993.

PORT OF PRESCOTT



The Port of Prescott is located 100 kilometers south of Ottawa and 200 kilometers west of Montréal. The elevator is the only major marine grain facility with a harbour of seaway depth for public use in eastern Ontario. Served by Highway 401 and the national railways, the port is accessible to Toronto and Montreal. As well, an international bridge located beside the port serves the state of New York. The elevator operates year-round, although there is no vessel traffic from late December to early March.

The primary commodity handled at the Port of Prescott is grain. However, diversification to other bulk commodities, such as aggregate and salt, contributed to the port's positive financial results during the year. The port also leased land to a marina, feed mill and cottage lot owners.

In 1988, the elevator was leased to Elders Grain Company Limited, an international grain company. However, in 1990, Goderich Elevators Ltd. took over the management of the elevator following the decision by Elders to divest the corporation from all North American grain operations.

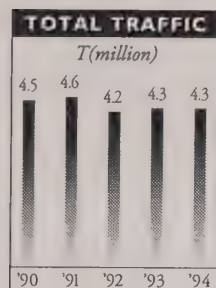
In 1993, grain volumes decreased by 35 percent from historical levels. As a result, Goderich Elevators Ltd. chose not to continue operating the elevator at the Port of Prescott.

Canada Ports Corporation took over the operation of the 154,000-tonne grain elevator in May 1994. The grain elevator staff of fourteen people, terminated by Goderich, were hired by Canada Ports Corporation.

Total port tonnage increased from 402,000 tonnes in 1993, to 554,000 in 1994. Salt traffic increased from 119,000 tonnes in 1993, to 184,000 in 1994. Waterborne grain traffic more than doubled in 1994 to 293,000 tonnes, from 141,000 tonnes in 1993. Aggregate traffic declined from 142,000 tonnes in 1993, to 77,000 tonnes in 1994.

Operating revenues for 1994 rose to \$2.9 million from \$1.0 million in the previous year. In 1994, operating expenses increased to \$2.6 million from \$1.0 million, resulting in an operating profit of \$270,000. Investment income of \$1.2 million during the year provided the port with a net income of \$1.4 million, up from \$1.1 million in 1993.

PORT SAGUENAY/BAIE DES HA! HA!



Located at the head of the river whose name it shares, Port Saguenay plays a key role in the local economy and provides vital services to the region's resource-based industries. The primary industrial sectors in the region are pulp and paper, lumber and aluminum production.

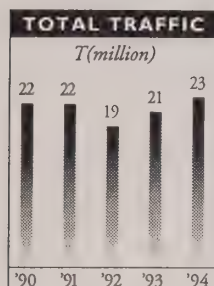
Total traffic at Port Saguenay increased by 12 percent in 1994 to 308,000 tonnes, from 275,000 tonnes reported in 1993. Pulp and paper traffic reached 136,000 tonnes, the highest level since the opening of the Grande-Anse Marine Terminal in 1985. All other traffic registered increases with the exception of industrial salt.

Alcan Aluminum Limited owns and operates the private wharf at Baie des Ha! Ha!. The facility handles raw materials for the company's own use. Total traffic at the facility maintained its 1993 levels at four million tonnes. The handling of bauxite increased by 106,000 tonnes, while petroleum products decreased by 75,000 tonnes. This was due to the closing of the Shell Terminal at Ville de la Baie.

Port Saguenay showed an operating revenue of \$1.0 million, a six percent increase over 1993. Operating expenses remained stable during the year at \$1.3 million, while the port reported an operating loss of \$226,000 in 1994, compared with \$233,000 in 1993. Investment income of \$456,000, along with the decrease in the value of the Albert Maltais wharf by \$1.9 million, resulted in a net loss of \$1.7 million in 1994, compared to a net profit of \$212,000 in 1993. Capital expenditures totalled \$326,000 in 1994.

At Baie des Ha! Ha! total operating revenue remained stable at \$168,000 in 1994. Operating expenses increased from \$124,000 in 1993, to \$298,000, leading to a net operating loss of \$130,000. Repairs to the St. Alexis de Grande-Baie wharf, in the amount of \$171,000, were responsible for this change. Net loss was \$81,000 compared to a net income of \$87,000 in 1993.

PORT OF SEPT-ÎLES



The Port of Sept-Îles is a deep-water port located on the north shore of the Gulf of St. Lawrence, 650 kilometers east of Québec City. The port consists of a large natural basin, with water depth of 80 meters or more, open to year-round navigation. It is the main iron-ore port in Canada and serves the mining industry of Quebec and Labrador.

Total port traffic handled in 1994 was 22.8 million tonnes, up from 21.3 million tonnes in 1993. From the total, 20.7 million tonnes of iron ore were transhipped at the port's private facilities. Although iron ore accounted for more than 90 percent of total traffic through the port, it represented less than ten percent of total revenue.

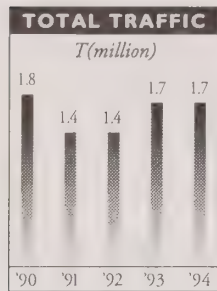
Construction was completed during the year on the rail-ferry dock and dry bulk-handling system. As well, repairs were made to

the Monseigneur Blanche and des Petroliers wharves. The port continued its marketing efforts in 1994 to develop new opportunities for the future.

A total of 1.4 million tonnes of cargo was handled at the Corporation's facilities in 1994, up from 800,000 tonnes in the previous year. Approximately 50 percent of this total is associated with the operation of the aluminum plant. Coal and coke breeze transshipments dropped during the year to 56,000 tonnes from 245,000 in 1993.

Financial results show operating revenues at \$7.3 million, compared to \$7.2 million in 1993. Net income decreased 51 percent in 1994 to \$825,000, mainly due to operating expenses that rose to \$4.3 million, or 19 percent from \$3.6 million in 1993.

PORT OF TROIS RIVIÈRES



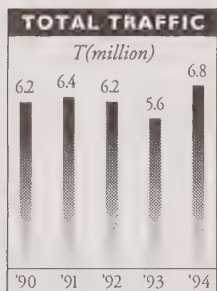
Strategically located between the Ports of Montréal and Québec, the Port of Trois-Rivières offers an extensive range of facilities and services. Historically, the port has served the pulp and paper producers in the region and handled shipments of Canadian grain.

Total tonnage handled in 1994 rose slightly to 1.7 million tonnes, an increase of 37,000 tonnes from 1993. Grain traffic decreased to 534,000 tonnes from 605,000 in 1993.

Other dry bulk cargo, consisting of alumina, coke, road salt and clay, recorded an increase of 3,000 tonnes over 1993, and reached a total of 814,000 tonnes. Liquid bulk cargo increased by more than 30 percent, and general cargo volumes were up 61 percent over 1993.

Operating revenues rose to \$2.7 million or eight percent from \$2.5 million in 1993. Operating expenses at \$2.5 million, show an increase of four percent over the \$2.4 million in 1993. The port had a net income of \$0.9 million in 1994, a slight improvement over \$0.8 million in 1993.

RIDLEY TERMINALS



Ridley Terminals Inc. (RTI) is a sophisticated bulk-handling terminal that moves coal from unit trains onto ships. The terminal is located on a 55-hectare site, in the northern end of Ridley Island in Prince Rupert, B.C. Bulk carriers have year-round, ice-free access to a large natural harbour, sheltered by a ring of outer islands.

The terminal has a capacity to ship approximately 16 million tonnes of coal a year. Access to the facility, from the main CN North America line, is achieved by means of a three-track, 2,200-meter causeway.

Coal shipments through RTI increased by 22 percent in 1994 to 6.7 million tonnes. The shipment of petroleum coke increased to

180,000 tonnes in 1994, up from 160,000 tonnes in 1993. In total, 6.8 million tonnes of cargo moved through the terminal in 1994, compared with 5.6 million tonnes in 1993.

In 1994, RTI's operating revenues were \$37.8 million, an increase from \$36.1 million in 1993. Operating expenses totalled \$16.7 million in 1994, compared to \$15.6 million in 1993.

Interest expense on the debt incurred for the construction of the terminal amounted to \$12.8 million in 1994. RTI repaid \$10.4 million of debt in 1994, almost equal to the \$10.5 million in 1993. Net income for 1994 increased to \$8.4 million, from \$8.0 million in 1993.

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1994 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes

in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Arthur Andersen & Co.

Chartered Accountants
Ottawa, Ontario
February 24, 1995

BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		
		<i>(in thousands of dollars)</i>
ASSETS		
Current		
Cash	\$ 1,520	\$ 1,366
Short-term investments (Note 3)	24,966	19,296
Accounts receivable	6,884	6,139
Due from Canada	1,008	295
Materials and supplies	2,694	2,719
	37,072	29,815
Investments (Note 3)	18,414	18,348
Fixed assets (Note 4)	97,979	104,863
	153,465	153,026
INTERPORT LOAN FUND - ASSETS (Note 10)	96,097	94,012
	\$ 249,562	\$ 247,038
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 17,067	\$ 15,280
Due to Interport Loan Fund (Note 6)	1,340	1,114
	18,407	16,394
Accrued employee benefits	2,357	2,306
Deferred revenues	442	—
Due to Interport Loan Fund (Note 6)	51,306	47,946
Long-term debt (Note 7)	186,040	196,513
	258,552	263,159
DEFICIENCY OF CANADA		
Contributed capital (Note 8)	111,672	111,672
Deficit (Note 9)	(216,759)	(221,805)
	(105,087)	(110,133)
	153,465	153,026
INTERPORT LOAN FUND BALANCE (Note 10)	96,097	94,012
	\$ 249,562	\$ 247,038

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

James B. Powers

James B. Powers
Acting Chairman of the Board

J. M. Tessier

Jean Michel Tessier
President and Chief Executive Officer

STATEMENT OF INCOME AND DEFICIT

1994

1993

*For the year ended December 31, 1994**(in thousands of dollars)*

Revenue from operations	\$ 60,797	\$ 54,842
Operating and administrative expenses	26,225	22,181
Depreciation	4,776	5,519
Municipal grants and taxes	2,816	2,692
	33,817	30,392
Income from operations	26,980	24,450
Investment income	3,500	3,200
Interest expense	(17,605)	(17,132)
Net income for the year before the undernoted item	12,875	10,518
Write-down of fixed assets	(7,586)	—
Net income for the year	5,289	10,518
Deficit at beginning of the year	(221,805)	(232,210)
Dividend to Canada	(243)	(113)
Deficit at end of the year	\$ (216,759)	\$ (221,805)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1994

1993

*For the year ended December 31, 1994**(in thousands of dollars)*

OPERATING ACTIVITIES		
Net income for the year	\$ 5,289	\$ 10,518
Items not affecting cash		
Depreciation	4,776	5,519
Write-down of fixed assets	7,586	—
Other	658	(375)
Net change in non-cash components of working capital	865	4,653
Cash provided by operating activities	19,174	20,315
FINANCING ACTIVITIES		
Capital grants	168	231
Change in due from Canada	(713)	—
Transfers from Interport Loan Fund	4,700	6,830
Repayment of transfers from Interport Loan Fund	(1,114)	(19,237)
Issuance of long-term debt	11,000	203,000
Repayment of long-term debt	(21,468)	(198,537)
Dividend paid to Canada	(243)	(113)
Cash required by financing activities	(7,670)	(7,826)
INVESTING ACTIVITIES		
Additions to fixed assets	(5,877)	(7,556)
Change in construction payables	197	(2,620)
Cash required by investing activities	(5,680)	(10,176)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	5,824	2,313
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF THE YEAR	20,662	18,349
CASH AND SHORT-TERM INVESTMENTS AT END OF THE YEAR	\$ 26,486	\$ 20,662

The accompanying notes are an integral part of these financial statements.

1. CANADA PORTS CORPORATION ACT

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act* (the *Act*), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct responsibility for operating eight divisional ports and has a wholly-owned subsidiary Ridley Terminals Inc. (RTI), a coal terminal facility at Prince Rupert. The *Act* provides for the establishment of local port corporations to manage and operate additional selected ports. The *Act* also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

Transportation issues in Canada with respect to all modes of transport are under review by Transport Canada. The effect, if any, of this review on the *Act* and the future responsibilities of the Corporation are not known.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial statements

The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see Note 10).

(b) Investments

The short-term investments are carried at lower of amortized cost, whereby premiums or discounts from par value are amortized over the periods to maturity, and market. Long term investments are carried at amortized cost or market if a permanent decline exists.

(c) Materials and supplies

Materials and supplies consist of supplies, consumables and repair parts. They are valued at the lower of cost or market.

(d) Fixed assets

Fixed assets are recorded at cost, with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Government assistance received towards capital projects are deducted from the cost of the related fixed assets.

Depreciation of fixed assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated remaining useful lives of the assets.

(e) Pension plans

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to Canada for indexation payments under the *Supplementary Retirement Benefits Act*. However, employees of RTI are covered by a non-contributory defined-benefit plan.

(f) Municipal grants and taxes

The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(g) Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(h) Revenue recognition

Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50% of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's throughput agreements with its two main customers are in place until March 31, 1998 and March 31, 1999. These agreements provide for guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized at the end of the coal year when the amount of shortfall revenue is known.

3. INVESTMENTS

Short-term investments consist of \$24,966,000 of Canada treasury bills (1993-\$19,296,000 of which \$1,998,000 were of other money market securities). As at December 31, 1994 and 1993, the market value of the short-term investments approximates their amortized cost.

Long-term investments of \$18,414,000 (1993-\$18,348,000) are Canada bonds and as at December 31, 1994, their market value is \$20,743,000 (1993-\$23,924,000).

4. FIXED ASSETS

1994

1993

(in thousands of dollars)

(a) Summary

	Depreciation rates %	Cost or appraised value	Accumulated depreciation and write-downs	Net	Net
Land	-	\$ 6,609	\$ -	\$ 6,609	\$ 6,609
Dredging	2.5-6.7	16,121	9,786	6,335	7,944
Berthing structures	2.5-10	50,773	25,270	25,503	27,765
Buildings	2.5-10	34,200	14,390	19,810	19,666
Coal terminal facility	4-33	23,138	3,516	19,622	20,285
Utilities	3.3-10	8,544	2,845	5,699	5,229
Roads and surfaces	2.5-10	5,395	2,976	2,419	1,942
Machinery and equipment	5-100	29,831	21,634	8,197	9,512
Office furniture and equipment	20	4,349	3,536	813	808
Works under construction	-	2,972	-	2,972	5,103
		\$ 181,932	\$ 83,953	\$ 97,979	\$ 104,863

(b) Capital grants

During the year, the Corporation received capital grants towards the construction of fixed assets totalling \$168,000 (1993 - \$231,000).

(c) Commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at \$491,000 of which most will be expended in the year ending December 31, 1995.

The Corporation leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are deferred revenues of \$1,070,000 (1993 - \$2,713,000) and current portion of long-term debt of \$73,000 (1993 - \$68,000).

6. DUE TO INTERPORT LOAN FUND

1994

1993

(in thousands of dollars)

The Interport Loan Fund has provided long-term financing for two capital projects of ports under the administration of the Corporation.

(a) Transfers to the Port of Belledune bearing interest at 7.18% to 11.47% and accrued interest of \$2,438,000, repayable in twenty blended annual instalments of principal and interest of \$2,737,000 and maturing December 31, 2013.	\$ 23,135	\$ 23,623
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91% to 9.20%, repayable primarily in twenty blended annual instalments of principal and interest of \$3,429,000 and maturing December 31, 2011.	29,511	25,437
	52,646	49,060
Less: Current portion	(1,340)	(1,114)
	\$ 51,306	\$ 47,946

Principal repayment requirements over the next five years amount to \$1,340,000 in 1995, \$1,462,000 in 1996, \$1,595,000 in 1997, \$1,740,000 in 1998 and \$1,898,000 in 1999.

7. LONG-TERM DEBT

	1994	1993
	<i>(in thousands of dollars)</i>	
(a) Loan from Canada, bearing interest at 6.44%, repayable in twenty blended annual instalments of principal and interest of \$106,000 and maturing on December 31, 2000.	\$ 513	\$ 581
(b) RTI note, repayable on August 12, 1998, and bearing interest at 6.93% payable annually.	165,000	165,000
(c) RTI note, under a revolving facility, repayable by August 12, 1998, and bearing interest at Canadian inter-bank bankers' acceptance rate plus 0.20% payable at maturity of note.	20,600	31,000
	186,113	196,581
Less: Current portion	(73)	(68)
	\$ 186,040	\$ 196,513

Principal repayment requirements over the next five years amount to \$73,000 in 1995, \$77,000 in 1996, \$82,000 in 1997, \$185,688,000 in 1998 and \$93,000 in 1999.

In 1993, RTI refinanced its existing debt with Export Development Corporation (EDC). This new financing consisting of notes replaced the term loan with a major Canadian bank and the transfers from the Interport Loan Fund. Under the financing arrangement with EDC, a fixed rate note issued is repayable in 1998, while notes issued under a revolving facility are at variable rates and repayable by August 12, 1998.

The revolving facility provides for notes to be issued up to an aggregate maximum of \$41 million. These notes may be for a term of one to twelve months and may roll over on maturity date with new face values and new interest rates, with final repayment of all amounts under the facility due on August 12, 1998. As at December 31, 1994, the interest rate on the note under the facility is approximately 6.6%.

The financing with EDC is guaranteed unconditionally by Canada to a maximum of \$230 million and is secured by a \$250 million collateral demand debenture over all present and future assets of RTI.

8. CONTRIBUTED CAPITAL

The *Act* provides that the net revenues from each port under the administration of the Corporation are to be retained for the use of the respective port. Fund transfers between ports can be authorized by the Minister of Transport.

In 1993, the Minister of Transport instructed the Corporation to transfer an equal amount of funds from each of five divisional ports to Port of Churchill to provide for the latter's 1993 cash shortfall. An amount of \$485,000 was transferred in 1993 to Port of Churchill.

9. DEFICIT

At the incorporation of RTI in 1981, 50% of RTI was owned by the Corporation while the remaining 50% was owned by an unrelated party. The shareholders' agreement of RTI provided a condition for the unrelated party to sell its shares to the Corporation in 1991. On July 30, 1991, the Corporation purchased the remaining 50% ownership in RTI and RTI became a wholly-owned subsidiary of the Corporation. The share purchase of \$58.5 million was paid in cash and was fully financed by Canada. The excess of the purchase price over the assets acquired of \$31.7 million less the liabilities assumed of \$229.1 million resulted in a loss on acquisition of RTI of \$255.9 million which was included in the deficit of the Corporation.

10. INTERPORT LOAN FUND

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations. Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Earnings of the Fund are, pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established.

The balance sheet of the Fund as at December 31 shows:

	1994	1993
	<i>(in thousands of dollars)</i>	
ASSETS		
Current		
Cash and investments	\$ 38,745	\$ 39,995
Transfers receivable	1,340	1,114
Loans receivable	162	149
	40,247	41,258
Transfers receivable	51,306	47,946
Loans receivable	6,318	6,479
Allowance for doubtful accounts	(1,774)	(1,671)
	\$ 96,097	\$ 94,012
FUND BALANCE		
Contributions from Canada	\$ 76,650	\$ 76,650
Retained earnings	19,447	17,362
	\$ 96,097	\$ 94,012

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1994 and 1993, the market value of the investments approximates their amortized cost.

In 1994, the Fund advanced \$4.7 million (1993 - \$6.7 million of which \$3.2 million was to a local port corporation) to a divisional port for a capital project.

The Fund is committed to provide financing of \$6.5 million for financially viable capital projects of divisional ports in 1995.

The statement of income and retained earnings of the Fund is as follows:

	1994	1993
	<i>(in thousands of dollars)</i>	
Interest income	\$ 7,012	\$ 6,701
Allowance for doubtful accounts	(103)	284
Administrative expenses	(103)	(100)
Net income for the year	6,806	6,885
Retained earnings at beginning of the year	17,362	12,065
Dividend to Canada	(4,721)	(1,588)
Retained earnings at end of the year	\$ 19,447	\$ 17,362

11. PENSION PLANS

The annual contributions to the Public Service Superannuation Plan represent the liability of the Corporation for the contributory plan and are recognized in the accounts on a current basis.

As at December 31, 1994, the updated actuarial reports of RTT's non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to \$4,993,000 (1993 - \$4,141,000) and the value of the pension fund assets, at market value, amounts to \$5,204,000 (1993 - \$4,778,000). RTT's pension expense for 1994 of \$380,000 (1993 - \$330,000) is actuarially determined.

12. RELATED PARTY TRANSACTIONS

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations of Canada.

In accordance with the *Act*, operating and administrative costs incurred by the Corporation in the amount of \$8,245,000 have been recovered from the local port corporations in 1994 (1993 - \$7,712,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of \$2,024,000 (1993 - \$1,766,000) charged by a local port corporation. At December 31, 1994, \$233,000 (1993 - \$303,000) of rental costs are included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities is \$4,486,000 (1993 - \$4,505,000) of interest payable to EDC, a Crown Corporation (see note 7).

Investment income of \$3,467,000 (1993 - \$3,129,000) was earned on Canada securities and interest charges of \$37,000 (1993 - \$42,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 3, 4(b), 7, 9 and 10.

13. CONTINGENCIES

Claims aggregating approximately \$2,563,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

The Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from such claims are recorded in the accounts in the year they can be reasonably estimated.

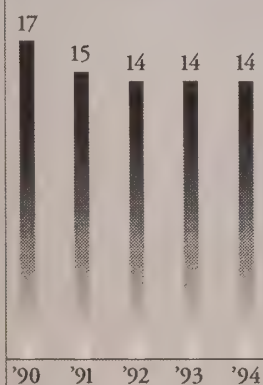
Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

HALIFAX PORT CORPORATION



TOTAL TRAFFIC

T(million)





JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

We are pleased to report on the financial results and operating activities of the Halifax Port Corporation (Corporation) for the year ended December 31, 1994.

The turnaround in cargo volumes handled at the Corporation's facilities, which began in 1993, continued through 1994. The Corporation registered an eight percent gain in cargo volume compared with the previous year. The most obvious evidence of the turnaround is the commencement of two new services, the PAX service and the SPM feeder service, and the expansion of five existing liner services during the year.

The cruise business continued its growth trend in 1994 with the number of passengers increasing by 22 percent to 37,000. To complement its aggressive marketing efforts in this area, the Corporation has carried on with its program of facilities upgrades designed to improve the level of comfort, safety and convenience of cruise passengers. In 1994, the pier was resurfaced and major aesthetic improvements were made to the property surrounding the cruise berths.

The port's past successes in attracting and maintaining business can be attributed, in large measure, to its productive and responsible labor force. This responsibility was demonstrated once again in 1994 when labor agreed to wage and benefit concessions as part of a financial incentive package offered to shipping lines, in a bid to obtain additional cargo volumes. This labor support played a major role in securing the new feeder service at the port and is expected to be a key element in attracting greater volumes of US midwest cargo in the future.

In July 1994, CP Rail System submitted an unsolicited offer to purchase the eastern rail operations of the Canadian National Railway. This Corporation applauds the Government's decision to reject that offer. The Port of Halifax is completely dependant on an efficient and cost effective rail connection to its key markets and it firmly believes that CP Rail System would not have sufficient incentive to support and expand the Halifax gateway because of its competing rail interests in other ports on the North American eastern seaboard. Notwithstanding its opposition to the CP offer, the Corporation recognizes the need for change to the existing rail operations to ensure an efficient, economically viable rail network for the future. In support of this position, the Corporation made a presentation to the "Task Force On CN Railway System" in 1994 encouraging the movement towards commercialization of the railway.

During the year, the Corporation progressed towards the attainment of its objectives which are to increase container volumes, expand its non-containerized cargo and revenue base and continuously improve its net income performance. The commencement of the new PAX service in late 1994 will provide a major asset to the Corporation in achieving its medium-term objective with respect to container volumes. The expanding cruise business has contributed to broadening its revenue base and its financial performance in 1994 has again exceeded its original goal.

Capital expenditures in 1994 totalled \$1.9 million, which is less than the \$3.6 million annual average spent over the past ten years. The Corporation's present inventory of terminals, buildings and infrastructure is considered adequate to handle projected cargo volumes in the medium term and therefore capital expenditures are being directed towards improving the functionality and efficiency of these assets, rather than new construction. An example is the relocation on an electrical substation, at a cost of approximately \$1 million, to a new site away from the heavy traffic area where the current one is situated. Relocating the substation provides a safer operating environment and will permit the Corporation to leverage on the electrical consumption of one of its major customers and realize savings of approximately 25 percent in its own electrical costs.

Capital expenditures on upgrades of plant and equipment are expected to exceed \$6 million in 1995.

Total port cargo in 1994 was 14.1 million tonnes, the same as the previous year. The closure of one oil refinery during the year caused a 10 percent decline in crude and refined oil volumes but this was almost entirely offset by a 32 percent increase in gypsum exports.

Containerized cargo grew by two percent in 1994 to 2.6 million tonnes. The two new services (PAX and SPM feeder) commenced late in the year and the full impact of their volumes will not be realized until 1995. Due in large measure to these two new services, a significant increase in container volumes can be expected in 1995. The completion of the Sarnia/Port Huron Tunnel which provides the port with improved access to the important U.S. mid-west market, will also cause container volumes to increase in 1995. Roll-on and roll-off cargo increased by six percent to 168,000 tonnes in 1994 and breakbulk cargo increased by 16 percent to 115,000 tonnes.

Waterborne grain volumes declined by 19 percent in 1994 to 289,000 tonnes. This is the lowest throughput in recent history and one of the legacies of the removal of the AT & East Rate subsidy. A number of initiatives are currently underway to address the declining grain volumes, including the recent acquisition of a self-unloading barge by the elevator operator, and a turnaround in throughput is expected in 1995.

Revenue from operations increased by five percent in 1994 primarily due to the increase in cargo volumes over Corporation facilities, as tariff rates remained unchanged for the fourth consecutive year. Operating expenses increased by three percent. Salaries and wages, as well as most other expenses, declined in 1994 but this was offset by a 43 percent increase in maintenance expenditures. The net result has been a 69 percent increase in net income compared with the previous year.

Once again, we thank our customers for their business during the year and wish to assure them of our unrelenting commitment to strive to provide modern efficient facilities and a high level of service at fair and competitive rates.

Mervyn C. Russell
Chairman of the Board

David F. Bellefontaine
President and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1994, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at

December 31, 1994, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.



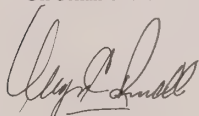
Chartered Accountants
Halifax, Nova Scotia
January 26, 1995

BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		
ASSETS		
Current		
Cash	\$ 221,148	\$ 1,523
Investments (Note 3)	8,983,404	7,931,288
Accounts receivable	2,724,160	2,450,908
Grants in lieu of municipal taxes	152,875	142,594
Materials and supplies	54,294	53,955
	12,135,881	10,580,268
Accounts receivable	200,964	181,313
Property and equipment (Note 4)	55,171,073	55,533,536
	\$ 67,507,918	\$ 66,295,117
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,686,639	\$ 1,911,770
Deferred revenues	556,553	563,879
	3,243,192	2,475,649
Accrued employee benefits	664,308	714,911
	3,907,500	3,190,560
EQUITY		
Contributed capital	50,856,865	50,856,865
Surplus	12,743,553	12,247,692
	63,600,418	63,104,557
	\$ 67,507,918	\$ 66,295,117

Contingent liabilities (Note 5)
See accompanying notes.

On behalf of the Board:



Mervyn C. Russell
Chairman of the Board



David F. Bellefontaine
President and Chief Executive Officer

STATEMENTS OF EARNINGS AND SURPLUS

1994

1993

For the year ended December 31, 1994

Revenue from operations	\$ 11,308,049	\$ 10,801,089
Operating and administrative expenses	7,989,290	7,703,717
Depreciation	2,287,905	2,187,956
Grants in lieu of municipal taxes	921,932	985,400
	11,199,127	10,877,073
Earnings (loss) from operations	108,922	(75,984)
Investment income	381,644	377,919
Gain (loss) on disposal of fixed assets	5,295	(7,558)
	386,939	370,361
Net earnings	\$ 495,861	\$ 294,377
Surplus, beginning of year	12,247,692	11,953,315
Net earnings	495,861	294,377
Surplus, end of year	\$ 12,743,553	\$ 12,247,692

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

1994

1993

For the year ended December 31, 1994

Cash derived from (applied to)

Operating		
Net earnings	\$ 495,861	\$ 294,377
Depreciation	2,287,905	2,187,956
Other	(55,898)	(105,359)
	2,727,868	2,376,974
Change in non-cash operating working capital	211,890	(283,736)
	2,939,758	2,093,238
Financing		
Increase (decrease) in accounts receivable	(19,651)	41,781
Increase in accounts payable	289,849	196
	270,198	41,977
Investing		
Additions to property and equipment	(1,945,765)	(1,067,256)
Proceeds on disposal of assets	7,550	700
	(1,938,215)	(1,066,556)
Net increase in cash and short-term investments	1,271,741	1,068,659
Cash and short-term investments, beginning of year	7,932,811	6,864,152
Cash and short-term investments, end of year	\$ 9,204,552	\$ 7,932,811

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of Halifax to Halifax Port Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

	1994		1993	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short Term	\$ 8,983,404	\$ 9,199,000	\$ 7,931,288	\$ 8,099,000

4. PROPERTY AND EQUIPMENT

	1994		1993	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value
Land		\$ 24,556,740	\$	\$ 24,556,740
Dredging	2.5-6.7%	3,443,290	2,540,994	902,296
Berthing structures	2.5-10%	35,203,074	21,427,877	13,775,197
Buildings	2.5-10%	19,513,667	12,925,657	6,588,010
Utilities	3.3-10%	6,693,728	3,366,095	3,327,633
Roads and surfaces	2.5-10%	8,994,743	6,422,409	2,572,334
Machinery and equipment	5-100%	10,292,963	7,490,559	2,802,404
Office furniture and equipment	20%	1,448,701	1,246,360	202,341
Projects under construction		444,118		444,118
		\$110,591,024	\$55,419,951	\$55,171,073
				\$55,533,536

5. CONTINGENT LIABILITIES

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has quantified an amount of approximately \$2 million. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

BOARD OF DIRECTORS

Mervyn C. Russell*
Chairman
President, Maritime Broadcasting System Ltd.
Halifax, N.S.

David I. Jones, Q.C.*
Vice-Chairman
Partner, Huestis Holm
Dartmouth, N.S.

Graham L. Thomas*
President, Graham Thomas Agencies Ltd.
Halifax, N.S.

George M. Briand**
Halifax Longshoremen's Association
I.L.A. Local 269
Halifax, N.S.

Linda M. Brennan**
Business Administrator and School Board Member
Dartmouth, N.S.

Edward D. Kirby**
Retired Police Officer
Sackville, N.S.

Robert A. Wilson**
Life Insurance Broker
Bedford, N.S.

* Executive Committee

** Audit Committee

OFFICERS OF THE CORPORATION

Mervyn C. Russell
Chairman

David I. Jones, Q.C.
Vice-Chairman

David F. Bellefontaine
President and Chief Executive Officer

Lorraine E. Brenton
Corporate Secretary

Claude L. Ball
Senior Vice-President and Chief Operating Officer

Dennis W. Creamer
Vice-President, Finance and Real Property

Patricia McDermott
Vice-President, Marketing

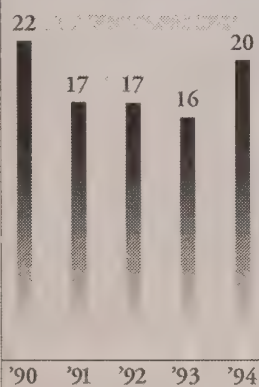
Lawrence A. Freeman
Chief Legal Officer

MONTRÉAL PORT CORPORATION



TOTAL TRAFFIC

T(million)





JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Port of Montréal set a double record in 1994 by handling, for the first time, more than seven million tonnes of general cargo, shipped in more than 700,000 20-foot containers or the equivalent.

The port handled an unprecedented 7.1 million tonnes of containerized general cargo in 1994 — up 18.9 percent — and a record 728,799 TEU containers. The increases — 1.2 million tonnes or 130,679 containers over 1993 — are spectacular.

Total traffic through the Port of Montréal reached 20.1 million tonnes in 1994, an increase of 3.6 million tonnes or 21.7 percent compared with the previous year. Petroleum products and containerized cargo traffic were the main contributors to the increase.

The economic recovery, of course, helped propel containerized cargo traffic to new heights. But moreover, the Port of Montréal succeeded in increasing its market share thanks to the fast and efficient services provided at competitive costs by everyone involved in the Port of Montréal system.

On the whole, general cargo traffic reached a record eight million tonnes in 1994, an increase of 1.4 million tonnes or 20.5 percent. At about 900,000 tonnes, non-containerized general cargo traffic increased by 230,000 tonnes or 34.9 percent. The economic recovery strongly spurred on shipments of steel products by water.

After dropping to its lowest level in 1993, petroleum products traffic jumped to 5.9 million tonnes in 1994, an increase of 1.9 million tonnes or 46.8 percent. This increase was attributable essentially to the economic upturn, greater energy consumption last winter, and more competitive, maritime transportation costs.

Grain traffic totalled 1.9 million tonnes in 1994, a decrease of 120,000 tonnes or 5.9 percent. Grain exports led to the decrease as there were fewer shipments during the first half of the year because of the poor harvest in 1993, and because Russia did not purchase any Canadian grain.

Other dry and liquid bulk traffic totalled 4.3 million tonnes in 1994, an increase of 500,000 tonnes or 12.3 percent.

In 1994, the Montréal Port Corporation's revenue from operations totalled \$56.8 million and earnings from operations amounted to \$5.8 million. Net earnings, including investment revenue of \$4.6 million, totalled \$9 million after subtracting an unusual item of \$1.4 million. This unusual item represents the undepreciated capital cost of Grain Elevator No. 5 pursuant to its closure.

The Corporation has made cost control one of its top priorities so that it can generate the necessary profit and cash flow in order to self-finance its immediate and future capital projects without ever being a burden on the taxpayer.

From 1986 to 1994 inclusively, the Corporation's operating and administrative expenses remained fixed at about \$51 million and they would have even decreased had it not been for a substantial increase in grants in lieu of municipal taxes. This sound financial situation has allowed us and continues to allow us to support our shipping lines in their efforts to offer services at the most competitive prices.

Hence, the Corporation has frozen all its tariffs in 1995 for a third consecutive year and enhanced its tariff incentive program for containerized cargo. With the tariff freezes and incentives, wharfage charges on containerized cargo average \$1.90 per tonne in 1995, compared with \$2.10 per tonne in 1994 and \$2.25 in 1985. The Corporation has also introduced specific rebates to stimulate certain traffic in other cargo categories.

In addition, the Corporation has intensified its efforts within its markets. We have enhanced our business contacts in Europe to better gauge this market and promote the advantages of the Port of Montréal there. We have done the same in the US midwest and northeast, and Ontario.

We are pleased to inform the shareholder that the Montréal Port Corporation succeeded in reaching its main objectives: ensuring its financial self-sufficiency by increasing revenue from operations while controlling costs, improving its facilities and services, and stimulating port activity through highly-competitive tariffs and other measures to enhance and promote the port's advantages.

Everything is in place for the Port of Montréal to progress provided that all those involved in port activity continue their tireless efforts to reduce costs and offer even more reliable, more efficient and faster services. We cannot give in to fierce competition, which will pounce on the slightest opportunity. Together, we can best work to ensure that the Port of Montréal maintains its enviable position within its markets. This is also how we can best contribute to the prosperity of Montréal and its surrounding region, Quebec and all of Canada.

In conclusion, the Montréal Port Corporation would like to take this opportunity to thank its employees and everyone in the port system — on water and on land — for their tremendous work.

André Gingras
Chairman of the Board

Dominic J. Taddeo
President and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1994 and the statements of earnings, contributed capital and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at

December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and bylaws of the Corporation.

*Samson Bélair
Deloitte & Touche*

Chartered Accountants
Montréal, Quebec
February 3, 1995

BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		(in thousands of dollars)
ASSETS		
Current assets:		
Cash	\$ 166	\$ 606
Investments (Note 3)	35,126	21,675
Accounts receivable	11,831	11,673
Materials and supplies	738	781
	47,861	34,735
Long-term investments (Note 3)	27,595	27,456
Fixed assets (Note 4)	158,719	162,371
Deferred costs	601	636
Other assets	587	1,390
	\$ 235,363	\$ 226,588
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 8,951	\$ 6,981
Grants in lieu of municipal taxes	3,966	1,872
	12,917	8,853
Accrued employee benefits	4,067	4,339
Loans from the Government of Canada (Note 6)	3,525	4,111
	20,509	17,303
Equity of the Government of Canada		
Contributed capital	153,919	153,919
Retained earnings	60,935	55,366
	214,854	209,285
	\$ 235,363	\$ 226,588

See accompanying notes.

Approved by the Board:

André Gingras
André Gingras
Chairman of the Board

Dominic J. Taddeo
Dominic J. Taddeo
President and Chief Executive Officer

STATEMENTS OF EARNINGS

	1994	1993
<i>For the year ended December 31, 1994</i>		<i>(in thousands of dollars)</i>
Revenue from operations	\$ 56,906	\$ 52,395
Operating and administrative expenses	34,362	35,145
Depreciation of fixed assets	10,310	10,762
Grants in lieu of municipal taxes	6,769	4,767
	51,441	50,674
Earnings from operations	5,465	1,721
Investment revenue	4,630	3,881
Earnings before the following items	10,095	5,602
Write-off of fixed assets	(1,418)	—
Gain on realization of investment in a business held for resale	—	5,840
Net earnings	\$ 8,677	\$ 11,442

See accompanying notes.

STATEMENT OF CONTRIBUTED CAPITAL AND RETAINED EARNINGS

	1994	1993
<i>For the year ended December 31, 1994</i>		<i>(in thousands of dollars)</i>
Contributed capital		
Balance, beginning of year	\$ 153,919	\$ 158,919
Special contribution to the Government of Canada	—	(5,000)
Balance, end of year	\$ 153,919	\$ 153,919
Retained earnings		
Balance, beginning of year	\$ 55,366	\$ 45,722
Net earnings	8,677	11,442
Dividends	(3,108)	(1,798)
Balance, end of year	\$ 60,935	\$ 55,366

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1994

1993

*For the year ended December 31, 1994**(in thousands of dollars)*

Operating activities		
Net earnings	\$ 8,677	\$ 11,442
Items not affecting cash		
Depreciation of fixed assets	10,310	10,762
Amortization of deferred costs	35	35
Loss (gain) on disposal of fixed assets	(15)	84
Increase (decrease) in accrued employee benefits	(272)	477
Gain on realization of investment in a business held for resale	—	(5,840)
Write-off of fixed assets	1,418	—
	20,153	16,960
Changes in non-cash operating working capital items (Note 7)	3,914	(1,773)
	24,067	15,187
Financing activities		
Repayment of current portion of loans from the Government of Canada	(551)	(519)
Dividends paid	(3,108)	(1,798)
Special contribution to the Government of Canada	—	(5,000)
	(3,659)	(7,317)
Investing activities		
Decrease in investment in a business held for resale	—	8,476
Increase in long-term investments	(139)	(139)
Acquisition of fixed assets	(8,091)	(11,813)
Disposal of fixed assets	30	—
Decrease in other assets	803	227
Increase in deferred costs	—	(80)
	(7,397)	(3,329)
Net cash inflow	13,011	4,541
Cash position, beginning of year	22,281	17,740
Cash position, end of year	\$ 35,292	\$ 22,281
Represented by		
Cash	\$ 166	\$ 606
Short-term investments	35,126	21,675
	\$ 35,292	\$ 22,281

See accompanying notes.

1. STATUS AND NATURE OF ACTIVITIES

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same *Act*, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs

The deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. INVESTMENTS

Funds are invested in direct and guaranteed securities of the Government of Canada. As at December 31, 1994, the market value of the short-term investments is equivalent to their amortized cost, and the market value of long-term investments is \$30,592,517 (\$35,556,448 in 1993).

4. FIXED ASSETS

			1994	1993
			<i>(in thousands of dollars)</i>	
	Depreciation Rates	Cost	Accumulated Depreciation	Net Book Value
Land	—	\$ 50,312	\$ —	\$ 50,312
Dredging	2.5% – 10.0%	16,178	14,074	2,104
Berthing structures	2.5% – 10.0%	61,916	45,483	16,433
Buildings	2.5% – 10.0%	70,137	39,384	30,753
Utilities	3.3% – 10.0%	19,814	11,355	8,459
Roads and surface	2.5% – 10.0%	70,685	31,716	38,969
Machinery and equipment	5.0% – 33.3%	62,358	52,872	9,486
Office furniture and equipment	20.0% – 33.3%	7,156	5,358	1,798
		358,556	200,242	158,314
Projects under construction		405	—	405
		\$ 358,961	\$ 200,242	\$ 158,719

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1994	1993
	<i>(in thousands of dollars)</i>	
Current portion of loans from the Government of Canada	\$ 586	\$ 551
Deferred revenue	334	334
Other	8,031	6,096
	\$ 8,951	\$ 6,981

6. LOANS FROM THE GOVERNMENT OF CANADA

	1994	1993
	<i>(in thousands of dollars)</i>	
Loans, 6.25%, payable to 2000 in annual instalments of \$842,561 including interest	\$ 4,111	\$ 4,662
Current portion	586	551
	\$ 3,525	\$ 4,111

Principal repayment requirements over the next five years are as follows:

1995	\$ 585,636
1996	622,238
1997	661,128
1998	702,449
1999	746,352

7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	1994	1993
	<i>(in thousands of dollars)</i>	
Accounts receivable	\$ (158)	\$ (963)
Materials and supplies	43	90
Accounts payable and accrued liabilities net of current portion of loans from Government of Canada	1,935	(733)
Grants in lieu of municipal taxes	2,094	(167)
	\$ 3,914	\$ (1,773)

8. CONTINGENCIES

Claims aggregating approximately \$3,800,000 in respect of lawsuits, guarantees and damages allegedly suffered on the Corporation property and sundry legal matters in dispute have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. COMMITMENTS

- a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at \$365,000.
- b) In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation would be required to pay a dividend, in respect of the 1994 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1995 would amount to approximately \$2,253,200 for 1994 and would be applied against retained earnings.

10. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties, including Canada and its agencies and other Crown corporations.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges and rental revenue and management fees. The expenses paid to related parties are principally administration fees.

BOARD OF DIRECTORS

André Gingras *
Chairman
Chairman of the Board
André Gingras & associés Inc.
Westmount, Que.

Yvon Lamarre *
Vice-Chairman of the Board
Publisher
Le Journal de Montréal
Montréal, Que.

Raphaël Esposito *
Notary
Esposito & associés, notaires
Montréal, Que.

Roger Bishop
Longshoremen's Union
CUPE/Local 375
Brossard, Que.

Suzanne Brochu
Director, Information and Public Affairs
Caisse de dépôt et placement du Québec
Montréal, Que.

Raymond Lemay
Executive Vice-President
Québecor Inc.
Montréal, Que.

Louise Robic
Roxboro, Que.

* Members of the Executive Committee

OFFICERS OF THE CORPORATION

André Gingras
Chairman

Dominic J. Taddeo
President and Chief Executive Officer

Roger Dubé
Vice-President, Administration

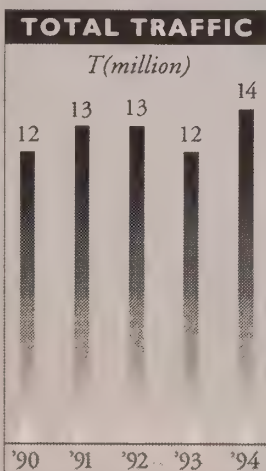
Normand Fillion
Vice-President, Marketing

Michel L. Lesage, Eng.
Vice-President, Operations

Sylvie Vachon
Vice-President, Human Resources

Jean Mongeau, Notary
Corporate Secretary

PRINCE RUPERT PORT CORPORATION





JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

In 1994, the Prince Rupert Port Corporation celebrated its tenth anniversary as a local port corporation amidst a year of challenge and opportunity. The port's vision identifies the need to diversify and expand its cargo base to provide new shipping opportunities at the Port of Prince Rupert.

This has resulted in a year of extensive activity to bring about these opportunities while maintaining cost effective operations to ensure the port's financial self-sufficiency was maintained. The port's excellent tonnage results for 1994 reflect the efforts of the port community toward this vision.

The vision for the port is to broaden and diversify the facilities and cargoes at the Port of Prince Rupert and fully utilize existing facilities to increase tonnage and income while maintaining an environmentally sensitive role in the local community. The continuation of marketing and engineering efforts toward the realization of a liquid bulk terminal at Prince Rupert has significantly advanced the port's vision of diversification and growth. Throughout 1994, the port made much progress in this area with the continuation of marketing and engineering efforts toward the realization of a liquid bulk terminal at Prince Rupert. During the year, several different business opportunities for liquid bulk terminal development have been under discussion and investigation. The market opportunities for these various products is favourable to a Prince Rupert location and the port is confident that one or more of these projects will be realized in the near future.

The port also made much progress throughout 1994 with the development of an aggressive marketing program targeted toward the Alaska cruise ship activity. An opportunity was recognized to offer Prince Rupert as a solution to the growing problem of overcrowding at many of the small Alaskan ports of call, and also as a possibility for Prince Rupert to tie in with proposed new developments at embarking ports. The port's marketing efforts were undertaken as a joint venture with the City of Prince Rupert and the opportunity to present major cruise operators with a plan for facility development was met with enthusiasm by several cruise lines.

New opportunities and the expansion of existing business has also been a focus of the port during 1994 as it looks to the future to ensure the facilities are available for further growth and development. Toward this aim, the port completed construction of a 50,000 sq. ft covered storage facility on Fairview Terminal during 1994. This warehouse brings the total covered storage at the terminal to 11,112 sq. metres. As a result of this development, the joint marketing initiatives with the terminal operator, and the dedicated efforts of the local labor workforce, a five year contract for pulp-handling from a northern interior pulp mill was secured toward the end of 1994. This contract took effect in January 1995 and it is anticipated that this initiative will provide the port with an opportunity to expand its shipments of woodpulp and other forest products. This opportunity will be the focus for port and terminal operator's marketing efforts during the coming year.

These business initiatives and cooperative efforts undertaken during the year are reflected in the port's excellent tonnage results which are the highest ever recorded for the Port of Prince Rupert. Aside from the continued downward trend in the lumber throughput at Fairview Terminal, there were several areas of distinction which resulted in the record throughput for 1994. Among the bright spots this year were grain and coal shipments from facilities on Ridley Island.

Grain shipments from the westcoast rebounded during the year and continued to break shipping records during the latter months of 1994. Throughput activity at Prince Rupert Grain (PRG) was especially high and showed the ability of the Prince Rupert Grain terminal to handle its operation with speed and efficiency. In all, a total of 5.54 million tonnes of grain was handled at PRG during the 1994 calendar year which is an increase of 24 percent over the 1993

tonnage of 4.4 million tonnes. Our congratulations are offered to the personnel at the PRG terminal for their efforts and success during 1994. Future challenges to maintain grain shipments through Prince Rupert will emerge from the recently announced changes to the *Western Grain Transportation Act* (WGTA). The port and PRG are working together on this issue to ensure that Prince Rupert will emerge from the changes as a dominant player in the export of Canadian grains.

The coal throughput at Ridley Terminals Inc. facility on Ridley Island also reached record levels during 1994 with the second highest tonnage throughput since the facility opened in 1984. The coal throughput of 6.7 million tonnes is a 23 percent increase over 1993 tonnage which was 5.4 million tonnes. Ridley Terminals personnel continue to look for new marketing opportunities to ensure the successful continuation of the facility as the expiry dates for the coal contracts draws closer.

Lumber shipments at the port owned Fairview Terminal have continued to decline despite aggressive marketing efforts between the port and the terminal operator. Lumber throughput was 285,357 tonnes for 1994, a reduction of 27 percent from 1993 throughput of 392,613 tonnes. Construction of a new sawmill in Prince Rupert is almost complete and the mill is scheduled to commence operation in early 1995. It is expected that much of the mill's product will be exported through Fairview Terminal, providing some additional lumber throughput for the upcoming year. The port and the terminal operator are continuing an aggressive marketing effort in this area, but with the uncertainty surrounding the B.C. forests industry at this time, there will be continued downward pressure on results.

The financial results of the Corporation show operating revenues of \$12.5 million. Despite a 2.7 percent decrease in revenues, the port was able to show an 88 percent increase in operating income to \$1.9 million and net earnings of \$873,000 through close attention to operating expenses. The decline in revenues is directly attributable to the decline in forest products traffic which are offset to some extent by increases in grain and coal throughput.

In accordance with statutory obligations, the Prince Rupert Port Corporation wishes to advise our shareholder, the Federal Government that the port has made significant progress in achieving its objectives during 1994, and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

The Board and staff of the Prince Rupert Port Corporation would like to thank everyone involved in port activities in Prince Rupert for their effort and hard work during the year. The port's vision as a major player in the shipping community can only be realized with the continued dedication and cooperation of all the players on the waterfront.

Peter Lester
Chairman of the Board

Donald H. Krusel
President and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1994 and the statements of earnings (loss) and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes

in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

KPMG Peat Marwick Thorne


Chartered Accountants
New Westminster, British Columbia
January 27, 1995

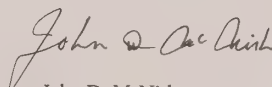
BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		
ASSETS		
Current assets:		
Cash	\$ 371,096	\$ 600,253
Investments (note 2)	11,768,675	10,329,579
Accounts receivable	1,695,931	1,017,035
Materials and supplies	168,210	205,993
	14,003,912	12,152,860
Capital assets (note 3)	97,642,791	99,542,097
	\$111,646,703	\$ 111,694,957
LIABILITIES AND EQUITY OF CANADA		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 431,407	\$ 897,174
Grants in lieu of municipal taxes	841,580	866,896
Deferred revenues	213,498	240,307
Principal due within one year on loans from Canada	444,255	403,010
	1,930,740	2,407,387
Loans from Canada (note 4)	15,334,477	15,778,732
Equity of Canada:		
Contributed capital	79,611,805	79,611,805
Surplus	14,769,681	13,897,033
	94,381,486	93,508,838
	\$111,646,703	\$ 111,694,957

Commitments (note 5)
See accompanying notes to financial statements.

Approved by the Board:


Peter Lester
Chairman of the Board


John D. McNish
Director

STATEMENT OF EARNINGS (LOSS) AND SURPLUS

1994

1993

For the year ended December 31, 1994

Revenue from operations	\$12,521,810	\$12,873,525
Expenses:		
Contractual services	4,308,559	5,305,347
Operating and administrative	3,268,048	3,601,806
Depreciation	2,443,586	2,383,371
Grants in lieu of municipal taxes	638,184	576,707
	10,658,377	11,867,231
Earnings from operations	1,863,433	1,006,294
Other earnings (expense):		
Interest	668,508	596,554
Interest expense	(1,659,293)	(1,696,640)
	(990,785)	(1,100,086)
Net earnings (loss)	872,648	(93,792)
Surplus, beginning of year	13,897,033	14,030,166
	14,769,681	13,936,374
Dividend to Canada	—	39,341
Surplus, end of year	\$ 14,769,681	\$ 13,897,033

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

1994

1993

For the year ended December 31, 1994

CASH PROVIDED BY (USED IN):

Operations:		
Net earnings (loss)	\$ 872,648	\$ (93,792)
Items not involving cash:		
Depreciation	2,443,586	2,383,371
Changes in non-cash operating working capital:		
Accounts receivable	(678,896)	142,268
Materials and supplies	37,783	32,304
Accounts payable and accrued liabilities	(465,767)	559,707
Grants in lieu of municipal taxes	(25,316)	131,757
Deferred revenues	(26,809)	3,884
	2,157,229	3,159,499
Financing:		
Decrease in loans from Canada	(403,010)	(365,597)
Dividend to Canada	—	(39,341)
	(403,010)	(404,938)
Investment:		
Purchase of capital assets	(1,479,280)	(1,231,921)
Proceeds on disposal of capital assets	35,000	—
Reimbursement of capital asset costs	900,000	—
	(544,280)	(1,231,921)
Increase in cash position	1,209,939	1,522,640
Cash position, beginning of year	10,929,832	9,407,192
Cash position, end of year	\$ 12,139,771	\$ 10,929,832
Cash position is defined as:		
Cash	\$ 371,096	\$ 600,253
Investments	11,768,675	10,329,579
Cash position	\$ 12,139,771	\$ 10,929,832

See accompanying notes.

LOCAL PORT CORPORATION

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Capital assets

Capital assets are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Depreciation is calculated on the straight-line basis on the cost less any grant received, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5 %
Berthing structures	2.5% - 10 %
Buildings	5 % - 10 %
Roads and surfaces	3.3% - 10 %
Utilities	5 % - 10 %
Machinery and equipment	5 % - 100 %
Office furniture and equipment	20 % - 33.3%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Government Services Canada (formerly Public Works Canada). Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. INVESTMENTS

	1994	1993
Amortized cost	\$ 11,768,675	\$ 10,329,579
Market value	\$ 11,768,565	\$ 10,338,522

3. CAPITAL ASSETS

			1994	1993
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 63,199,197	\$ —	\$ 63,199,197	\$ 64,099,197
Dredging	332,187	72,821	259,366	276,169
Berthing structures	36,129,994	9,269,879	26,860,115	28,162,031
Buildings	6,227,181	1,823,806	4,403,375	2,338,153
Roads and surfaces	6,581,841	4,530,468	2,051,373	2,451,563
Utilities	2,589,383	2,193,341	396,042	556,086
Machinery and equipment	2,365,618	2,022,405	343,213	561,930
Office furniture and equipment	369,918	275,321	94,597	72,161
Construction in progress	35,513	—	35,513	1,024,807
	\$117,830,832	\$ 20,188,041	\$ 97,642,791	\$ 99,542,097

4. LOANS FROM CANADA

	1994	1993
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	\$ 15,778,732	\$ 16,181,742
Less principal included in current liabilities	444,255	403,010
	<u>\$ 15,334,477</u>	<u>\$ 15,778,732</u>

Principal payment requirements over the next five years are approximately as follows:

1995	\$ 444,000
1996	490,000
1997	540,000
1998	595,000
1999	656,000
	<u>\$ 2,725,000</u>

5. COMMITMENTS

(a) The Corporation rents its premises under an operating lease which expires April 30, 1997. The future rent payable to the expiry date is approximately as follows:

1995	\$ 74,000
1996	74,000
1997	25,000
	<u>\$ 173,000</u>

(b) At December 31, 1994, commitments in connection with the acquisition of a terminal facility amounted to approximately \$1,000,000.

6. RELATED PARTY TRANSACTIONS

(a) During the year, the Corporation recorded lease revenue of \$2,049,976 (1993 - \$1,772,618) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1994, accounts receivable included \$360,155 (1993 - \$278,926) from Ridley Terminals Inc.

(b) During the year, the Corporation expensed \$694,566 (1993 - \$649,623) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1994, accounts payable included \$91,836 (1993 - \$10,083) to Canada Ports Corporation.

BOARD OF DIRECTORS

Peter Lester *
Chairman
Business Manager
Prince Rupert, B.C.

Rhoda Witherly *
Vice Chairperson
Business Manager
Prince Rupert, B.C.

Penny Denton
Critical Care, R.N.
Prince Rupert, B.C.

J. Robin Heather, Q.C.
Lawyer
Prince George, B.C.

Douglas E. Moore **
Customs Broker/Shipping Agent
Prince Rupert, B.C.

John D. McNish **
President, Credit Bureau of Prince Rupert
Prince Rupert, B.C.

Michael J. Tarr* **
President and Chief Executive Officer
Kaien Consumers Credit Union
Prince Rupert, B.C.

* Member, Executive Committee

** Member, Audit Committee

OFFICERS OF THE CORPORATION

Peter Lester
Chairman

Rhoda Witherly
Vice Chairperson

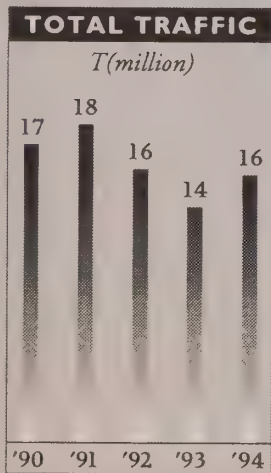
Donald H. Krusel
President and Chief Executive Officer

Donald A. Silversides Q.C.
Chief Legal Officer

David G. Shearer
Vice President
Business Development and Technical Services

Joseph Rektor
Vice President, Administration and Operations

Heather McLean
Corporate Secretary





JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

For the Port of Québec Corporation, 1994 has been an important transitional year. Besides having considerably increased the transhipped tonnage, the Corporation succeeded in diversifying its revenues and in maintaining its rationalization program. The Corporation has now, more than ever, the ability to react to the various fluctuations which characterize maritime traffic.

In 1994, the port was able to take advantage of the recovery which took place in the whole maritime industry. The port recorded a net tonnage increase of 17 percent, in spite of the difficult situation that still prevails with grain shipments on the St. Lawrence River. In fact, although the quantity of grain handled in the port has reached 2.9 million tonnes, a seven percent increase in 1994, we are still far from the 7.3 million tonnes transhipped in 1991. Many factors, uncontrollable by the Corporation, account for this decline, which are: the emergence of Asian markets and the re-routing of shipments of Canadian grain, the financial problems of Russia, the port's traditional client and, finally, the delay in the implementation of the GATT agreement. It is important to note that the Corporation still gathers a significant part of its revenues from grain handling and that the poor performance of grain during the last two years did tremendous damage to the Corporation's financial situation. As for iron ore, the quantities that were transhipped in 1994 slightly exceeded the 1993 level, reaching 1.3 million tonnes. The competition from the Mississippi system in this market has a lingering effect on the Corporation's operating revenues.

Liquid bulk is responsible for the total cargo increase at the port. The 10.7 million tonnes of liquid bulk confirms once again that Québec is the port of call for liquid bulk on the St. Lawrence. More specifically, oil products have shown a strong increase of 27 percent, going from 8.4 million tonnes to 10.6 million tonnes, while chemical products transhipped gained 55 percent, to reach 43,090 tonnes. We must point out that 95 percent of liquid bulk is handled on wharves belonging to private companies, which reduces the financial importance of that traffic for the Port of Québec Corporation.

As for general cargo traffic, the situation has deteriorated. In 1994, the port experienced a drop of 26 percent in its general cargo, which reached the low of 312,303 tonnes, compared to 420,339 tonnes in 1993 and 650,256 tonnes in 1992. The handling of forest products decreased by more than 30 percent, reaching 169,196 tonnes. Other traffic, such as mining products, also experienced a decrease of 18 percent, reaching 112,866 tonnes. This significant fall is a consequence of many factors, including the fierce competition existing between the Port of Québec and some regional ports along the St. Lawrence, as well as a renewed demand for many products from the United States. Finally, one cannot ignore the 28 percent increase in contributions to the Maritime Employers Association which caused the re-routing of some commodities. 1995 should be a decisive year in readjusting the Port of Québec Corporation's competitiveness regarding general commodities.

The port welcomed 36,401 cruise passengers. This stagnation clearly shows that some changes will be necessary regarding cruise shipping on the St. Lawrence. In fact, the interdiction for ships on an international journey to operate casinos on the river hampers the positive development of this business. The Corporation has undertaken to better budget the marketing efforts in view of reaping the benefits from the development of this worldwide, rapidly expanding industry.

Following yet another year characterized by budget cuts, 1994 marks the beginning of an important recovery on the financial front. During the last year, the Corporation went on with its program of rationalization of spending. In fact, between 1991 and 1995, the Corporation will have reduced its labor cost by 30 percent, while controllable expenses were down 40 percent over the same period.

Overall, the major changes undertaken allowed for a maximum cut in controllable spendings, in such a way that more than 70 percent of the Corporation's spending is in uncontrollable items (taxes, national office, police, railway operations, electricity costs, depreciation costs, etc.).

Operational revenues increased by four percent in 1994, reaching \$11.5 million, while operational spendings decreased by seven percent, reaching \$13.1 million, including a depreciation cost of \$3.2 million. The operational deficit was cut almost in half, dropping from \$3 million in 1993 to \$1.7 million in 1994, while capital generated by the operations went from \$0.4 million to \$1.2 million, taking into account financial fees and unusual items.

No major investment was undertaken in 1994. The Corporation limited the investment expenditures to some maintenance work on port infrastructures. It must be mentioned that the \$33 million withdrawn by the federal government between 1987 and 1990 have greatly handicapped the port's capacity to invest and modernize outdated infrastructure. However, the anticipated financial surplus over the next few years should allow the realization of some works in wharf repairs as well as improvements to the port facilities.

More than ever, the Corporation is aware of the potential represented by the oldest port of Canada in the North-American market. This explains why the Corporation is making the necessary decisions to boost the competitiveness of its services, in order to meet the industry demands. As a result, the Corporation will implement a structured program for the restoration of its port infrastructure.

Once again, we wish to take this opportunity to ask all our partners in the maritime community to carry on with the steps aimed at providing the most economic and efficient intermodal transit. Finally, the directors, the management and the employees of the Port of Québec Corporation wish to thank everyone for their continued support. The Port of Québec is an efficient tool to serve the Canadian commerce and the economic development of the region.

René Paquet
Chairman of the Board

Ross Gaudreault
President and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1994 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes

in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

The comparative financial statements shown were audited by other auditors.

Mallette Mahew

Chartered Accountants
Québec City, Quebec
February 2, 1995

BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		
ASSETS		
CURRENT ASSETS		
Cash	\$ 348,488	\$ 481,213
Short-term investments (note 3)	1,807,174	3,442,804
Accounts receivable	1,813,231	2,052,774
Materials and supplies	157,632	160,223
	4,126,525	6,137,014
INVESTMENTS (note 3)	2,485,531	-
FIXED ASSETS (note 4)	55,236,881	57,952,093
	\$ 61,848,937	\$ 64,089,107
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,179,829	\$ 1,161,476
Grants in lieu of municipal taxes	81,917	133,432
Deferred revenues	916,646	862,897
Current portion of long-term debt	161,577	149,324
	2,339,969	2,307,129
LONG-TERM DEBT		
Accrued employee benefits	918,000	1,042,000
Loans from Interport Loan Fund (note 5)	6,317,537	6,479,114
	7,235,537	7,521,114
	9,575,506	9,828,243
EQUITY OF CANADA		
Contributed capital	51,852,198	51,852,198
Surplus	421,233	2,408,666
	52,273,431	54,260,864
	\$ 61,848,937	\$ 64,089,107

Contingencies (note 7)
See accompanying notes to financial statements.

On behalf of the Board:

René Paquet

René Paquet
Chairman of the Board

Ross Gaudreault

Ross Gaudreault
President and Chief Executive Officer

STATEMENT OF EARNINGS AND SURPLUS

1994

1993

For the year ended December 31, 1994

REVENUE FROM OPERATIONS	\$ 11,449,579	\$ 11,039,270
EXPENSES		
Operating and administrative	8,556,699	9,218,989
Grants in lieu of municipal taxes	1,339,211	1,536,072
	9,895,910	10,755,061
EARNINGS BEFORE DEPRECIATION AND OTHER REVENUE (EXPENSES)	1,553,669	284,209
Depreciation of fixed assets	3,213,949	3,304,123
LOSS BEFORE OTHER REVENUE (EXPENSES)	(1,660,280)	(3,019,914)
OTHER REVENUE (EXPENSES)		
Investment income	216,875	42,334
Interest expense	(544,028)	(374,615)
	(327,153)	(332,281)
LOSS BEFORE OTHER ITEMS	(1,987,433)	(3,352,195)
OTHER ITEMS		
Gain on settlement of grants in lieu of municipal taxes	—	315,000
Compensation received on a lease signature	—	150,000
	—	465,000
LOSS FOR THE YEAR	(1,987,433)	(2,887,195)
SURPLUS AT BEGINNING OF YEAR	2,408,666	5,295,861
SURPLUS AT END OF YEAR	\$ 421,233	\$ 2,408,666

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1994

1993

For the year ended December 31, 1994

OPERATING ACTIVITIES		
Loss for the year	\$ (1,987,433)	\$ (2,887,195)
Operating items not involving cash :		
Depreciation of fixed assets	3,213,949	3,304,123
Accrued employees benefits	(124,000)	42,000
Other	(6,474)	(5,943)
	1,096,042	452,985
Net change in non-cash components of working capital	262,721	1,648,505
Net funds from operations	1,358,763	2,101,490
FINANCING ACTIVITIES		
Loans from Interport Loan Fund	—	3,200,000
Reimbursement of loans from Interport Loan Fund	(149,324)	(71,562)
Net funds used for financing	(149,324)	3,128,438
INVESTING ACTIVITIES		
Long-term investments	(2,480,324)	—
Additions to fixed assets	(500,177)	(2,553,733)
Proceeds from disposal of fixed assets	2,707	22,507
Net funds used for investment	(2,977,794)	(2,531,226)
INCREASE (DECREASE) IN CASH POSITION	(1,768,355)	2,698,702
CASH POSITION AT BEGINNING OF YEAR	3,924,017	1,225,315
CASH POSITION AT END OF YEAR	\$ 2,155,662	\$ 3,924,017

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments, which are guaranteed Securities of Canada, are shown at amortized cost whereby premiums and discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of related fixed assets.

Depreciation is calculated on the straight-line commencing with the year the asset becomes operational, using the following annual rates :

Assets	Rates
Dredging	2.5% - 6.7%
Berthing structures	2.5% - 10%
Buildings	2.5% - 10%
Utilities	3.3% - 10%
Roads and surfaces	2.5% - 10%
Machinery and equipment	5% - 20%
Office furniture and equipment	20%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Insurance

The Port of Québec Corporation assumes all risks with respect to workers' compensation claims. Any costs arising from these claims are recorded in the accounts in the year, based on the invoices received or to be received from Labour Canada for the year.

Grants in lieu of municipal taxes

The expenses for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

3. INVESTMENTS

Short-term investments consist of Canada Treasury bills.

Long-term investments of \$2,485,531 consist of Canada bonds and as at December 31, 1994, their market value is \$2,438,275

4. FIXED ASSETS

			1994	1993
	Cost	Accumulated depreciation	Net value	Net value
Land	\$ 11,155,836	-	\$ 11,155,836	\$ 11,155,836
Dredging	4,561,342	4,119,673	441,669	469,730
Berthing structures	24,099,554	19,319,803	4,779,751	5,082,570
Buildings	42,154,386	20,682,301	21,472,085	22,751,479
Utilities	19,915,720	6,090,483	13,825,237	14,719,996
Roads and surfaces	6,390,162	5,106,591	1,283,571	1,357,359
Machinery and equipment	1,046,226	675,915	370,311	431,050
Office furniture and equipment	1,628,979	1,575,011	53,968	239,641
Projects in progress	1,854,453	-	1,854,453	1,744,432
	\$ 112,806,658	\$ 57,569,777	\$ 55,236,881	\$ 57,952,093

5. LOANS FROM INTERPORT LOAN FUND

1994

1993

Loans bearing interest:

8.5% and 8.73%, payable in annual instalments of

\$372,512 including interest, maturing in 2012

\$ 3,350,723

\$ 3,428,438

8.07% and 7.54%, payable in annual instalments of

\$320,839 including interest, maturing in 2013

3,128,391

3,200,000

6,479,114

6,628,438

Current portion of long-term debt

161,577

149,324

\$ 6,317,537

\$ 6,479,114

The aggregate maturities of long-term debt for each of the five following years: 1995 - \$161,577; 1996 - \$174,838; 1997 - \$189,192, 1998 - \$204,727 and 1999 - \$221,542

6. RELATED PARTY TRANSACTIONS

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown Corporations.

Principally, the Corporation earned rental revenues of \$ 752,000 (1993 - \$ 648,000) from related entities. The expenses paid to related parties mainly consist in reimbursements of \$ 814,000 (1993 - \$761,000) to Canada Ports Corporation as its share of the Corporation's head office expenses. The Corporation has also earned investment income of \$ 216,875 (1993 - \$ 42,334).

The Corporation has accounts payable of \$ 491,000 (1993 - \$ 298,000) and accounts receivable of \$120,000 (1993 - \$ 157,000) with the same related parties.

7. CONTINGENCIES

Claims aggregating approximately \$1,000,000 have been received by the Corporation in respect to the construction of an hangar. A provision of \$100,000 has been accounted for in the financial statements in relation with these contingencies. Any additional amount payable in connection with those claims will be capitalized to the cost of buildings.

In addition, claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

BOARD OF DIRECTORS

René Paquet *

Chairman

Langlois Robert, s.e.n.c.

Lawyers

Québec, Que.

Jean-Paul Morency */**

Vice Chairman

Québec, Que.

Margo Brousseau ***

Lawyer

Sainte-Foy, Que.

Yvon Dolbec */***

Dolbec Y. Logistique Int'l inc.

Vanier, Que.

William Keays ***

Groupe Conseil Gesco

St-Jean-Chrysostome, Que.

* Executive Committee

** Port Clients Committee

*** Audit Committee

OFFICERS OF THE CORPORATION

Ross Gaudreault

President and Chief Executive Officer

Yvon Bureau

Vice President, Operations

Mario Bernard

Vice President, Finance

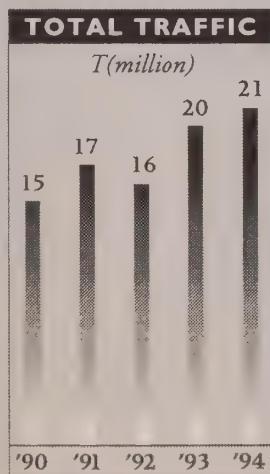
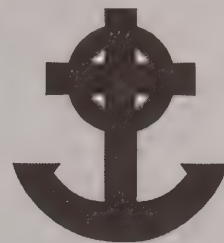
Alexis Ségal

Director, Commercial Affairs and Development

Yvon Arseneault

Director, Police

SAINT JOHN PORT CORPORATION





JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER

The Saint John Port Corporation is pleased to present its Annual Report on the performance of the Corporation for the year 1994. Significant progress was made in achieving Corporate objectives and strengthening the position of the Port of Saint John as a major transportation centre in Atlantic Canada.

In accordance with our statutory obligation, it is a pleasure to inform the Board of Directors, and the shareholder, that the Corporation made measurable progress in achieving its objectives; and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

Traffic Highlights

Records fell as the Port of Saint John reached new levels of throughput in many of the major commodities handled at the port. Total port traffic reached a record level of 21.1 million tonnes. This surpassed last year's record by eight percent. Petroleum shipments continued their record setting pace with an eight percent increase, to achieve a new high of 17.9 million tonnes. Potash exports recorded the highest level since the opening of the Barrack Point Potash Terminal. The previous level was set in 1988 when 1.57 million tonnes were shipped through the terminal. The 1994 level of 1.6 million tonnes is a 23 percent increase over 1993. Salt and sugar shipments also surpassed previous records.

Forest product exports of 697,000 tonnes were down by eight percent principally due to a very strong market for forest products in the United States and relatively weaker market conditions in the United Kingdom and Europe.

Cruise ship passenger volumes increased dramatically in 1994 principally due to calls by Carnival Cruise Lines and Princess Cruise Lines. A record 23,600 passengers visited Saint John compared to 12,400 in 1993.

Traffic gains were realized by shipping lines calling at the Port of Saint John. Star Shipping added a new service to Europe in January, 1994. The initiation of this service augmented Star Shipping's service to the Far East from Saint John. Kent Line expanded its service to the Caribbean by including Central and South American connections. During 1994, The National Shipping Company of Saudi Arabia resumed regular service to the port through the Suez Canal to the Middle East and South East Asia. Other notable cargoes included a major resupply move for the British Army, an increase in heavy lift and project cargoes, and Troll Carriers handled live cattle on their roll on/roll off ships which regularly call at the port.

Financial Results

The traffic gains recorded in the port contributed to the Corporation's improved financial performance in 1994. Operating revenues increased by five percent to \$12.2 million, while operating expenses were down by ten percent to \$10.2 million to produce an operating income of \$2.0 million in 1994, compared to an operating income of \$187,000 in 1993. With investment income of \$305,000 and interest expense of \$2.1 million the Corporation recorded a net income before unusual items of \$168,000 in 1994, compared to a net loss of \$1.7 million in 1993.

In accordance with normally accepted accounting practice, the Corporation undertook a review of the carrying value of its fixed assets. This review, which considered the past and future earnings capabilities of port facilities, determined that the value of the facilities to the future operation of the Corporation is less than their original construction or carrying costs. In conjunction with its auditors, the Corporation undertook a detailed investigation of assets resulting in a reduction in the carrying value of fixed assets of approximately \$20.6 million. At the end of 1994, the value of fixed assets is shown as \$60.2 million. Recognizing this permanent decline in the value of

assets provides for more meaningful and accurate statement of income from operations in the future, as well as reflecting an appropriate asset value on the Corporation's balance sheet.

Facilities Development

During 1994, the Corporation moved closer to completing the multi-year Facilities Redevelopment Program. Major maintenance projects of \$1.3 million included roofing at shed 12, berth refacing at berths 3, 10, Long Wharf and Pugsley Terminal, repairs to pilings at Rodney Terminal and the Barrack Point Potash Terminal, application of protective coatings to the shed floors at the Navy Island Forest Products Terminal to provide for greater efficiency in cleaning, and miscellaneous projects. Capital projects accounted for \$800,000 with the principal projects of paving at Pier 1B, installation of dock levellers and canopies at the forest products terminal and upgrading of the water supply at the west side terminals.

Rail Transportation

The future of rail transportation is an important issue for the port and its customers as well as numerous industries in the Maritime Provinces. Following application by CP Rail System to the National Transportation Agency to abandon the mainline from Saint John to Sherbrooke, Quebec, the Agency issued a decision order granting abandonment effective January 1, 1995. In recent months, CP Rail System has sold the eastern portion of the line from Saint John to Brownville Junction, Maine to the New Brunswick Southern Railway. The section from Brownville to Sherbrooke has been sold by CP Rail System to Iron Road Railway which is purchasing the Bangor and Aroostook Railway and will in turn operate the western portion of the line. A successful transition from CP Rail System to the new carriers is vital to the continued growth of the Port of Saint John.

Note of Appreciation

Many people and organizations have contributed to the achievements in 1994. To our customers and the members of the Saint John port community, we offer our sincere appreciation for your support. Our gratitude is extended to the men and women of the Corporation for their commitment and dedication. We would also like to offer a word of thanks to the Members of the Board of Directors of the Corporation for your support and encouragement throughout the year.

Future Outlook

We look forward to the challenges and opportunities of 1995. Working with our stakeholders, we have confidence in our collective ability to be flexible to changing market conditions, to overcome difficulties and to take advantage of new opportunities. The Port of Saint John will continue to play a major role in support of Canada's international trade and make a significant contribution to the economic growth of Saint John and the Province of New Brunswick.

Harry P. Gaunce
Chairman of the Board

Kenneth R. Krauter
General Manager and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1994 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at

December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Ernst & Young

Chartered Accountants
Saint John, New Brunswick
February 10, 1995

BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		(in thousands of dollars)
ASSETS		
Current		
Cash	\$ 105	\$ 157
Investments [note 3]	2,049	1,098
Accounts receivable	768	759
Materials and supplies	—	8
	2,922	2,022
Long-term		
Long-term investments [note 3]	976	973
Fixed assets [note 4]	60,185	81,525
	61,161	82,498
Total assets	\$ 64,083	\$ 84,520
LIABILITIES AND EQUITY OF CANADA		
Current		
Accounts payable and accrued charges	\$ 701	\$ 1,349
Deferred revenues	264	288
Grants in lieu of municipal taxes	1,053	447
	2,018	2,084
Long-term		
Loans from Canada [note 5]	18,052	18,052
Financing provided by a province [note 6]	19,696	19,696
Accrued employee benefits	458	445
	38,206	38,193
	40,224	40,277
Equity of Canada		
Contributed capital	44,462	44,462
Deficit	20,603	219
	23,859	44,243
Total liabilities and equity of Canada	\$ 64,083	\$ 84,520

See accompanying notes.

On behalf of the Board:

Harry P. Gaunce

Harry P. Gaunce
Chairman of the Board

K. R. Krauter

Kenneth R. Krauter
General Manager and Chief Executive Officer

STATEMENT OF INCOME AND DEFICIT

	1994	1993
<i>For the year ended December 31, 1994</i>		<i>(in thousands of dollars)</i>
Revenues from operations	\$ 12,184	\$ 11,585
Expenses		
Operating and administrative	8,003	7,827
Depreciation	1,590	2,716
Grants in lieu of municipal taxes	606	577
Loss (gain) on disposal of fixed assets	(3)	278
	10,196	11,398
Income from operations	1,988	187
Investment income	305	383
Interest expense	(2,125)	(2,271)
	(1,820)	(1,888)
Income (loss) before reduction in carrying value of fixed assets	168	(1,701)
Reduction in carrying value of fixed assets <i>[note 7]</i>	(20,552)	—
Loss	(20,384)	(1,701)
Retained earnings (deficit), beginning of year	(219)	1,482
Deficit, end of year	\$ (20,603)	\$ (219)

See accompanying notes.

STATEMENT OF CASH FLOWS

1994

1993

*For the year ended December 31, 1994**(in thousands of dollars)***CASH PROVIDED BY (USED IN)**

Operations

Net loss	\$ (20,384)	\$ (1,701)
----------	-------------	------------

Add items not requiring a cash payment

Depreciation	1,590	2,716
--------------	-------	-------

Loss (gain) on disposal of fixed assets	(3)	278
---	-----	-----

Other	13	(23)
-------	----	------

Reduction in carrying value of fixed assets <i>[note 7]</i>	20,552	—
---	--------	---

	1,768	1,270
--	-------	-------

Net change in non-cash working capital balances <i>[note 8]</i>	(67)	226
---	------	-----

	1,701	1,496
--	-------	-------

Financing

Capital grants	—	315
----------------	---	-----

Repayment of loan to Canada	—	(2,000)
-----------------------------	---	---------

	—	(1,685)
--	---	---------

Investing

Additions to fixed assets	(802)	(2,752)
---------------------------	-------	---------

Long-term investments	(3)	—
-----------------------	-----	---

Proceeds on disposal of fixed assets	3	13
--------------------------------------	---	----

	(802)	(2,739)
--	-------	---------

Increase (decrease) in cash	899	(2,928)
-----------------------------	-----	---------

Cash position, beginning of year	1,255	4,183
----------------------------------	-------	-------

Cash position, end of year	\$ 2,154	\$ 1,255
----------------------------	----------	----------

*Cash position consists of cash and short-term investments.**See accompanying notes.*

1. CANADA PORTS CORPORATION ACT AND INCORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation - Port of Saint John.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5 - 6.7
Berthing structures	2.5 - 10.0
Buildings	2.5 - 10.0
Utilities	3.3 - 10.0
Roads and surfaces	2.5 - 10.0
Machinery and equipment	5.0 - 100.0
Office furniture and equipment	20.0

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. INVESTMENTS

1994

1993

(in thousands of dollars)

Investments are direct and guaranteed securities of Canada as follows:

	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$ 2,049	\$ 2,062	\$ 1,098	\$ 1,100
Canada Bonds	\$ 976	\$ 1,000	\$ 973	\$ 1,000

4. FIXED ASSETS

1994

1993

(in thousands of dollars)

	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	\$ 31,755	\$ —	\$ 31,715	\$ —
Dredging	1,739	1,585	2,115	1,581
Berthing structures	49,060	35,340	66,327	34,711
Buildings	15,945	6,528	16,496	6,201
Utilities	7,366	5,096	8,517	4,936
Roads and surfaces	7,751	5,408	7,445	5,095
Machinery and equipment	895	561	995	558
Office furniture and equipment	1,248	1,081	1,391	1,236
Work under construction	25	—	842	—
	115,784	55,599	135,843	54,318
Accumulated depreciation	55,599	—	54,318	—
Net book value	\$ 60,185	—	\$ 81,525	—

5. LOANS FROM CANADA

1994

1993

(in thousands of dollars)

Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	\$ 18,052	\$ 18,052
---	-----------	-----------

6. FINANCING PROVIDED BY A PROVINCE

The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1994 has been calculated accordingly. The Province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, there would currently be an overpayment to the Province of approximately \$189,000.

7. REDUCTION IN CARRYING VALUE OF FIXED ASSETS

During the year the Corporation reviewed the carrying value of all its terminal facilities. On an individual basis the carrying value of each terminal was compared to its net recoverable amount. For those terminals where the carrying value was in excess of the net recoverable amount, the carrying value was adjusted to the higher of net recoverable amount or the fair market value of the residual land. As a result of the reduction in carrying value of fixed assets, depreciation expense recorded in the year was \$1,138,000 less than if the reduction in carrying value had not occurred.

8. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

1994

1993

(in thousands of dollars)

Decrease (increase) in current assets		
Accounts receivable	\$ (9)	\$ 326
Materials and supplies	8	10
	(1)	336
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	(648)	(431)
Deferred revenues	(24)	(57)
Grants in lieu of municipal taxes	606	378
	(66)	(110)
	\$ (67)	\$ 226

9. RELATED PARTY TRANSACTIONS

During the year the Corporation paid \$813,341 (1993 - \$747,465) to Canada Ports Corporation as its share of that Corporation's head office expense. During the year the Corporation also paid \$825,225 [1993 - \$796,960] to Canada Ports Corporation for the provision of protective services.

10. COMPARATIVE AMOUNTS

Certain of the comparative amounts have been reclassified to conform to the statement presentation adopted for the current year.

BOARD OF DIRECTORS

Harry P. Gaunce *
Chairman
President, Armstrong & Bruce Insurance Limited
Saint John, N.B.

Henry Meinhardt */**
Vice-Chairman
President, Fundy Ventilation Ltd.
Saint John, N.B.

Kenneth J. Bourque ***
Queens County, N.B.

David L. Doyle ***
Teed Saunders Doyle & Co.
Saint John, N.B.

Peter S. Glennie, Q.C. ***
Palmer O'Connell Leger Roderick Glennie
Saint John, N.B.

Shirley A. McAlary */**
Deputy Mayor
City of Saint John
Saint John, N.B.

William M. Thompson **
General Manager
New Brunswick Salmon
Growers' Association,
St. George, N.B.

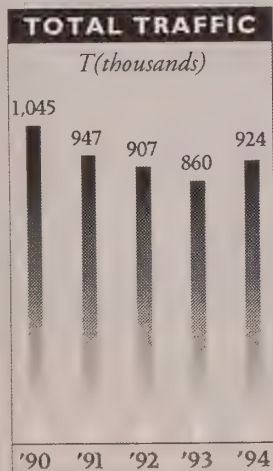
* Executive Committee
** Public Affairs Committee
*** Audit Committee

OFFICERS OF THE CORPORATION

Harry P. Gaunce
Chairman
Henry Meinhardt
Vice-Chairman
Kenneth R. Krauter
General Manager and Chief Executive Officer

R. Adam McBride
Assistant General Manager
Peter D. Clark
Director, Marketing
Ardith L. Bartlett
Corporate Secretary

ST. JOHN'S PORT CORPORATION





JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PORT MANAGER AND CHIEF EXECUTIVE OFFICER

In the 30th Anniversary of the Port of St. John's as a federal port, it gives us great pleasure to submit our Annual Report on the St. John's Port Corporation's performance and activities for the year ended December 31, 1994.

Financial results of the St. John's Port Corporation for 1994 show operating revenues of \$3.2 million, which is down slightly from budget. The port's actual net income of \$371,000 was \$37,000 above the budgeted net income of \$334,000. This favourable variance is attributable to a general reduction in operating expense.

Total volume of cargo handled at the port in 1994 was 924,000 tonnes, an increase of 7.4 percent compared to the previous year. Containerized cargo increased by 4.4 percent over 1993. The Oceanex Terminal handled 81,000 TEUs during 1994 compared to 74,000 in 1993, an increase of 9.5 percent. Total number of trailer units moving through the Terminal increased by 9.6 percent compared to the previous year, and the volume of new vehicles discharged at the port recorded an increase of 7.7 percent. Break bulk cargo was down nearly 39 percent due to Marine Atlantic's decision to consolidate its Labrador freight operations at Lewisporte and discontinue activities out of St. John's.

With the continuation of uncertain economic conditions, the Corporation, for the fourth consecutive year, held the line on all port tariffs.

The proposed offshore supply base development project was postponed because of a delay by Hibernia Management and Development Company (HMDC) in requesting proposals for the operation of such a facility. This, combined with the deferral by a major tenant to carry out a proposed industrial marine development project, resulted in cancellation of a significant portion of the forecasted 1994 capital budget expenditures. Repair and maintenance of port facilities and structures continued as planned. A modest \$1.253 million capital budget is projected for 1995.

Environmental auditing of St. John's Port Corporation properties continued during 1994 without any major findings. Further audits are planned for 1995 with completion of the program scheduled for 1996.

During 1994, Ports Canada Police continued to provide the St. John's Port Corporation with police services, ensuring that the port is a safe and secure environment in which to conduct marine industrial business.

Apart from the continued promotion of the port's traditional role of cargo handling, the St. John's Port Corporation along with the City of St. John's, is actively marketing St. John's as a viable destination for the cruise ship industry. A very successful joint trade mission to the US and Europe during 1994 explored this objective with transatlantic cruise lines and also encouraged home porting in St. John's for northeastern Atlantic and coastal cruise itineraries. By all accounts, industry attitude towards the growth potential for St. John's and the province generally in this sector is very encouraging.

The high level of municipal taxation of the port continued during 1994. Discussions among port users, the Corporation, and the City of St. John's continued with an aim towards achieving more equitable assessments. Favourable results from these consultations are expected during 1995.

In accordance with necessary statutory obligations, the St. John's Port Corporation is pleased to advise the shareholder that all necessary administrative and financial procedures and controls are in place to ensure assets are safeguarded and to achieve the objectives of the Corporation.

The St. John's Port Corporation is committed to providing reliable, economic, and efficient port services for the purposes of supporting Canadian trade, fostering regional economic development, and serving Newfoundland and Labrador's distribution requirements.

We would therefore like to express our appreciation and thanks to port staff, the marine community, and all port customers for their cooperation, dedication, and commitment during 1994. With the continued support of port staff and our marine community, the Corporation looks forward to meeting the challenges of 1995 and the opportunity to fulfill the Corporation's mission in serving the Newfoundland and Labrador marine transportation region.

Melvin Woodward
Chairman of the Board

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1994 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at

December 31, 1994 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.

Chartered Accountants
St. John's, Newfoundland
January 30, 1995

BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		
ASSETS		
Current		
Cash	\$ 62,435	\$ 14,407
Investments (Note 3)	3,180,176	2,297,531
Accounts receivable	567,510	487,756
	3,810,121	2,799,694
Fixed (Note 4)	12,732,859	13,457,811
	\$ 16,542,980	\$ 16,257,505
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 226,691	\$ 265,281
Grants in lieu of municipal taxes	291,726	197,093
Deferred revenues	138,913	296,936
	657,330	759,310
Accrued employee benefits	145,419	128,717
	802,749	888,027
EQUITY OF CANADA		
Contributed capital	10,131,636	10,131,636
Surplus	5,608,595	5,237,842
	15,740,231	15,369,478
	\$ 16,542,980	\$ 16,257,505

Contingencies (Note 6)
See accompanying notes.

On behalf of the Board:

Melvin Woodward
Chairman of the Board

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

STATEMENTS OF EARNINGS AND SURPLUS

1994

1993

For the year ended December 31, 1994

Revenue from operations	\$ 3,173,748	\$ 3,287,036
Operating and administrative expenses	1,966,629	1,910,282
Depreciation	917,028	879,549
Grants in lieu of municipal taxes	70,838	73,108
	2,954,495	2,862,939
Earnings from operations	219,253	424,097
Investment income	151,904	102,928
Interest expense		(22,984)
Net earnings	\$ 371,157	\$ 504,041
Surplus, beginning of year	\$ 5,237,842	\$ 4,749,260
Net earnings	371,157	504,041
Dividend to Canada	(404)	(15,459)
Surplus, end of year	\$ 5,608,595	\$ 5,237,842

See accompanying notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

1994

1993

For the year ended December 31, 1994

CASH DERIVED FROM (APPLIED TO)

Operating

Net earnings	\$ 371,157	\$ 504,041
Depreciation	917,028	879,549
Other non-cash items	16,702	13,818
	1,304,887	1,397,408
Change in non-cash operating working capital (Note 5)	(97,674)	11,666
	1,207,213	1,409,074

Financing

Change in construction payables	(84,060)	39,948
Loans from Canada		(986,242)
	(84,060)	(946,294)

Investing

Purchase of fixed assets	(200,177)	(224,087)
Disposal of fixed assets	8,101	350
	(192,076)	(223,737)
Dividend to Canada	(404)	(15,459)

Net increase in cash	930,673	223,584
Cash and short term investments		
Beginning of year	2,311,938	2,088,354
End of year	\$ 3,242,611	\$ 2,311,938

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

1. LOCAL PORT CORPORATION

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation - Port of St. John's to the St. John's Port Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Berthing structures	2.5-10%
Buildings	2.5-10%
Utilities	3.3-10%
Roads and surfaces	2.5-10%
Machinery and equipment	5-100%
Office furniture and equipment	20-33.3%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. INVESTMENTS

	1994		1993	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$ 3,180,176	\$ 3,296,000	\$ 2,297,531	\$ 2,336,700

4. FIXED ASSETS

	1994		1993	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 4,736,134	—	\$ 4,736,134	\$ 4,735,248
Berthing structures	11,009,620	7,016,407	3,993,213	4,223,583
Buildings	1,929,812	1,512,283	417,529	452,941
Utilities	3,501,360	1,520,546	1,980,814	1,977,350
Roads and surfaces	4,019,840	2,655,699	1,364,141	1,681,887
Machinery and equipment	358,942	177,053	181,889	201,207
Office furniture and equipment	281,668	254,527	27,141	73,549
Projects under construction	31,998	—	31,998	112,046
	\$ 25,869,374	\$ 13,136,515	\$ 12,732,859	\$ 13,457,811

5. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	1994	1993
Accounts receivable	\$ (79,754)	\$ 230,027
Accounts payable and accrued liabilities	45,470	(4,013)
Grants in lieu of municipal taxes	94,633	(37,101)
Deferred revenues	(158,023)	(80,187)
Current portion of loan from Canada	—	(97,060)
	\$ (97,674)	\$ 11,666

6. CONTINGENT LIABILITIES

Claims aggregating approximately \$ 364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. RELATED PARTY TRANSACTIONS:

During the year the Corporation paid \$248,059 (1993 - \$232,008) and \$224,501 (1993 - \$224,202) to Canada Ports Corporation as its share of that Corporation's head office expense and police services respectively.

BOARD OF DIRECTORS

Melvin Woodward, Chairman *
Chairman
President and CEO
Woodward Group of Companies
Goose Bay, Labrador

Margaret Green Warren **
Legislative Assistant
St. John's, NF

Thomas Doyle *
Sales Associate, Royal LePage Real Estate Services Ltd.
St. John's, NF

Basil Jamieson **
Retired Freelance Broadcaster
St. John's, NF

Terence Pike **
President, Financial Focus Incorporated
St. John's, NF

David J. Murphy **
President, Switchel Schooner Adventures
Marine Tourism Development
Topsail
Conception Bay South, NF

* Executive Committee
 ** Audit Committee

OFFICERS OF THE CORPORATION

Melvin Woodward
Chairman

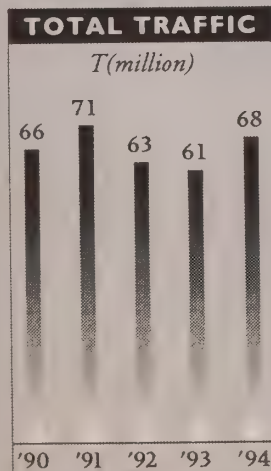
David J. Fox
Port Manager and Chief Executive Officer

Brian Scott
Manager, Finance and Administration

Captain Henry Flight
Harbour Master

Keith Rose
Corporate Secretary

VANCOUVER PORT CORPORATION





JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Port of Vancouver's cargo tonnage totals grew by 11 percent during 1994, while revenue passenger traffic grew by 14 percent. The increase in business reflects renewed bulk resource production and markets, significant gains in container and pulp tonnages, and the continued popularity of the Vancouver-Alaska Cruise.

To accommodate this surge in business, and support future growth and change, the Vancouver Port Corporation (VPC) continued to focus on the five business objectives highlighted in 1993: customer satisfaction; land use; business and revenue growth; port promotion; and achievement of results.

Customer Satisfaction

The VPC's goals were to retain existing customers and provide capacity for anticipated incremental growth in bulk products, containers, forest products and cruise.

Developments toward providing additional capacity include the completion of a berth extension at the Lynnterm forest products terminal, while construction to redevelop the Ballantyne Pier cruise and general cargo facility continued on schedule for a spring 1995 opening date. The VPC is still pursuing avenues to develop additional cruise capacity on its Central Waterfront lands, and, despite setbacks, expects to call for proposals again in 1995.

Berth construction began on the two-berth, five-crane Deltaport container facility, and Empire Stevedoring, CN Railway and CP Rail System joined the VPC as investors in the project through a collaboration agreement.

To identify and facilitate port-wide action toward customer satisfaction, the VPC continued to lead the Port of Vancouver Stakeholders' Initiative. The second Stakeholders' Conference took place in May, and brought together more than 300 port stakeholders, including 80 labor representatives, to discuss progress made by existing Action teams and identify future priorities for action. Additionally, mini-stakeholder conferences or Board Meetings were held in Saskatoon and Prince George.

Land Use

With respect to land use, the Corporation's aim was to ensure that the VPC is competitive with other ports in terms of the facilities and land resources it is able to offer its customers.

During 1994, the PORT 2010 Land Use Management Plan was published and distributed. The Plan identified land use designations and policies, standard project and environmental review processes, and development priorities, such as additional capacity in the forest product, container and cruise sectors. PORT 2010 represents the VPC's long term vision for port development, and supplies the policy and process framework necessary to achieve this vision.

Also, long term lease agreements were signed with Alberta Wheat Pool, Fibreco Terminals Ltd, PetroCanada and Rivtow Shipyards Ltd, as well as with Western Stevedoring for the Lynnterm facility.

To encourage sustainable development and sound environmental management, the VPC worked on artificial reefs at Deltaport and Cates Park, continued to administer Environmental Assessment Procedures and completed a Safety Directory via a Port Stakeholders' action team.

Business and Revenue Growth

The VPC and its terminal operators' efforts to attract new container capacity to the Port of Vancouver were successful. New callers and the expansion of existing services resulted in a 14 percent increase in TEUs (twenty foot equivalent units), which translates to a 23 percent increase in tonnage.

Other revenue growth opportunities are being pursued through a search for contractors to operate the Berry Point and Pier 94 sites (formerly known as Goodwin Johnson Terminals and Cassiar Whitepass).

Port Promotion

Another integral VPC objective was to promote the Port of Vancouver locally, nationally and internationally as the preferred North American port through development of customer, government and public support.

Relationships with local and provincial representatives were cultivated through well-established programs, such as regular Port-Municipal Liaison meetings and the Delta Community Liaison Committee, and through VPC participation on Provincial Committees to review proposals for commuter rail and the Lions Gate crossing. Also, a policy for the administration of Recreational Use Licences was completed, communicated and implemented.

To communicate port interests nationally and internationally, and improve the competitive position of the Vancouver gateway, the VPC joined forces with employer and labor associations, the BC Chamber of Shipping, the Vancouver International Airport Authority, airlines, both national railways, trucking associations and the Fraser River Harbour Commission to form the Greater Vancouver Gateway Council.

Customer receptions were held in Toronto and Chicago, and VPC representatives B&K Shipping expanded their promotional coverage to include the U.S. midwest.

Also, the VPC signed sisterport agreements with the Port of Incheon and the Port of Shanghai, and increased its overseas representative coverage to include Vietnam. Inroads were made into new trade relationships with China through its Beijing office, which was opened in 1993 and staffed by VPC employees, and through participation in the Team Canada trade mission.

Achievement of Results

None of this could have been achieved without a commitment to teamwork, shared values and work process renewal.

During 1994, the Corporation and its staff improved organizational practices by activating a new, streamlined accounting system, and developing a comprehensive statistical information database. In addition, the VPC reorganized to include a Customer Service and Trade Development Division, with staff dedicated to interfacing with domestic and international cargo and shipping line interests.

Staff training to improve customer service skills continued on several fronts, including communication and conflict resolution skills workshops run by staff trainers.

Port Performance

As the VPC endeavoured to enhance customer service and the port's competitive position, so did the port's private sector. Both Canadian Stevedoring and Vancouver Wharves Ltd. achieved ISO 9003 forest product handling certification, an increasingly important designation for European and Asian customers.

Terminal expansions included a new woodchip barge loading facility at Fibreco Terminals Ltd., seismic upgrading and dredging at United Grain Growers, improved docking facilities at Petro Canada and new storage facilities and improved transfer mechanisms at Vancouver Wharves.

These and other efforts were rewarded with an 11 percent increase in overall port tonnage to 67.6 million tonnes, up from 60.8 million tonnes in 1993.

Bulk tonnages rebounded to 56.3 million tonnes from 50.9 million tonnes in 1993 due to a recovering minerals sector, and record grain shipments throughout the fall.

General cargo shipments, including forest products, were up 10.4 percent, due to strong offshore markets for pulp traffic, and a steady performance in the lumber sector.

Container tonnage totalled 494,000 TEUs — a 14 percent increase over 1993, as new and existing services brought on more capacity. And at 591,000 revenue passengers in 1994, cruise totals rose by 14 percent to mark the twelfth consecutive year of growth in this sector.

Financial Performance

Financially, consolidated results show that at \$61.1 million, the Corporation realized its highest capital expenditure total ever. This reflected its investments in additional capacity to realize business growth. The Corporation is obtaining external financing to fund planned capital programs over the 1995-99 planning period.

The VPC also realized an increase in operating revenues, which, at \$63.2 million, indicate income generated from higher tonnage volumes. Net income totalled \$15.8 million.

During 1994, the VPC concentrated its efforts on preparing itself and the Port of Vancouver to successfully meet and exceed customer requirements. Through creative partnerships with its partners in industry, the VPC is helping to ensure that the Port of Vancouver is not only Canada's busiest and most efficient port, but North America's port of choice.

J. Ron Longstaffe
Chairman of the Board

Norman Stark
President and Chief Executive Officer

AUDITORS' REPORT

TO THE HONOURABLE DOUGLAS YOUNG, P.C., M.P.
MINISTER OF TRANSPORT

We have audited the consolidated balance sheet of the Vancouver Port Corporation as at December 31, 1994 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.

KPM & Peat Marwick Home

Chartered Accountants
Vancouver, British Columbia
February 10, 1995

CONSOLIDATED BALANCE SHEET

	1994	1993
<i>As at December 31, 1994</i>		(in thousands of dollars)
ASSETS		
Current assets:		
Cash	\$ 2,038	\$ 1,868
Investments (note 2)	17,392	46,926
Accounts receivable	8,465	12,168
Materials and supplies	—	364
	27,895	61,326
Long-term receivables (note 3)	13,248	13,987
Property and equipment (note 4)	341,776	291,610
	\$ 382,919	\$ 366,923
LIABILITIES AND EQUITY OF CANADA		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,734	\$ 9,189
Grants in lieu of municipal taxes	5,495	6,054
Deferred revenues	4,051	3,810
	22,280	19,053
Accrued employee benefits	1,492	1,247
Loan from Canada (note 5)	2,065	2,396
	25,837	22,696
Equity of Canada:		
Contributed capital	150,259	150,259
Retained earnings	206,823	193,968
	357,082	344,227
Commitments (note 7)		
Contingencies (note 8)		
Subsequent events (note 9)		
	\$ 382,919	\$ 366,923

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. Ron Longstaffe
Chairman of the Board

Thomas G. White
Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	1994	1993
<i>For the year ended December 31, 1994</i>		<i>(in thousands of dollars)</i>
Operating revenue	\$ 63,171	\$ 55,572
Expenses:		
Operating and administrative expenses	35,236	34,016
Grants in lieu of municipal taxes	4,618	4,877
Depreciation	10,420	10,022
	50,274	48,915
Income from operations	12,897	6,657
Investment income	3,113	4,662
Interest expense	(203)	(224)
	2,910	4,438
Net income	15,807	11,095
Retained earnings, beginning of year	193,968	219,509
	209,775	230,604
Special payment to Canada	—	(30,000)
Dividend payment to Canada	(2,952)	(6,636)
Retained earnings, end of year	\$ 206,823	\$ 193,968

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1994	1993
<i>For the year ended December 31, 1994</i>		<i>(in thousands of dollars)</i>
Cash provided by (used for):		
Operations:		
Net income	\$ 15,807	\$ 11,095
Items not involving cash:		
Depreciation	10,420	10,022
Other	792	2,208
Changes in non cash operating working capital	7,293	3,661
	34,312	26,986
Financing:		
Contributed capital provided by Canada	—	61,986
Special payment to Canada	—	(30,000)
Dividend payment to Canada	(2,952)	(6,636)
Long-term receivables	660	(1,274)
Loan from Canada currently payable	(331)	(308)
	(2,623)	23,768
Investments:		
Acquisition of Canada Place Corporation	—	(61,102)
Additions to property and equipment (net)	(61,053)	(38,401)
	(61,053)	(99,503)
Decrease in cash and investments	(29,364)	(48,749)
Cash and investments, beginning of year	48,794	97,543
Cash and investments, end of year	\$ 19,430	\$ 48,794

See accompanying notes to consolidated financial statements.

LOCAL PORT CORPORATION

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime exports and imports through the Port of Vancouver in the best interests of Canadians, and, in so doing, provide a gateway to world trade - in particular the Pacific Rim - which customers are eager to use and which has wide public support."

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Canada Place Corporation. All significant intercompany accounts and transactions have been eliminated since acquisition.

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(c) Pension costs

All permanent employees of the Corporation are covered by either the Public Service Superannuation Plan administered by the Government of Canada, or a private group retirement plan. Contributions to the plans are required from the employees and the Corporation. Although both plans are defined benefit plans, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. After the amounts have been audited by the Municipal Grants Division of Public Works Canada, any adjustments upon finalization are reflected in the accounts in the period of settlement.

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

2. INVESTMENTS

Current investments are in Government of Canada treasury bills and term deposits. At December 31, 1994 and 1993 the market value of these investments approximated carrying value.

3. LONG-TERM RECEIVABLES

1994

1993

(in thousands of dollars)

Long-term agreements for sale, bearing interest between 6-5/8% and 9% per annum, receivable in blended annual installments totaling approximately \$1.8 million, maturing between 1996 and 2012	\$ 12,713	\$ 13,462
Less current portion	(691)	(755)
	\$ 12,022	\$ 12,707
Non interest bearing agreement	—	3,947
Less current portion	—	(3,947)
Fire protection costs, net of amortization	1,200	1,280
Other	26	-
	\$ 13,248	\$ 13,987

Current portion is reflected in accounts receivable.

4. PROPERTY AND EQUIPMENT

1994

1993

(in thousands of dollars)

	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 86,493	\$ —	\$ 86,493	\$ 82,329
Dredging	450	265	185	137
Berthing Structures	73,048	33,219	39,829	36,625
Buildings	121,068	28,071	92,997	90,016
Utilities	21,348	9,820	11,528	11,832
Roads and surfaces	36,953	26,464	10,489	11,871
Machinery and equipment	32,152	15,326	16,826	18,568
Office furniture & equipment	10,232	6,474	3,758	4,358
Leased assets	—	—	—	5,890
Projects under construction	79,671	—	79,671	29,984
	\$ 461,415	\$ 119,639	\$ 341,776	\$ 291,610

Current portion is reflected in accounts receivable.

5. LOAN FROM CANADA

1994

1993

(in thousands of dollars)

Interest-bearing loan at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	\$ 2,396	\$ 2,704
Less current portion (included in accounts payable)	(331)	(308)
	\$ 2,065	\$ 2,396

Principal repayment requirements over the next five years are as follows:

1995	\$ 331,000
1996	355,000
1997	382,000
1998	411,000
1999	442,000
	\$ 1,921,000

6. RELATED PARTY TRANSACTIONS

In addition to the transactions described elsewhere in these consolidated financial statements, the Corporation paid \$2,107,000 (1993 - \$2,227,000) to Canada Ports Corporation as its share of that Corporation's operating expenses.

7. COMMITMENTS

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1994 are estimated at \$68.1 million.

It is the policy of all port corporations that each port corporation pay a dividend to Canada not later than March 31 based on a Corporation's prior year's income. Dividends are recorded by the Corporation as a liability when declared.

8. CONTINGENCIES

(a) At December 31, 1994, the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$14.3 million (1993: \$24.7 million) greater than the amount accrued in the financial statements.

(b) There are three claims against the Corporation. One claim is for an unspecified amount and the other two for amounts in excess of \$18 million. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for as prior period adjustment when known.

9. SUBSEQUENT EVENTS

a) Subsequent to year end, the Corporation entered into an agreement with the Export Development Corporation, a federal Crown corporation, to borrow up to \$139 million in future financing, subject to Federal Government approval. Monies would be advanced over the next two years, with repayment over ten years with a variable interest rate based on the Canadian dollar bond rate.

b) Subsequent to year end, the Corporation entered into a commitment for the construction of equipment in the amount of \$28.6 million.

CANADA PORTS CORPORATION

Port of Belledune
Belledune, NB
E0B 1G0
Tel.: (506) 522-2859
Fax: (506) 522-0803

Port of Churchill
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port Colborne
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port of Prescott
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port Saguenay/Baie des Ha! Ha!
Lafontaine Street
P.O. Box 760
Chicoutimi QC G7H 5E1
Tel.: (418) 543-0263
Fax: (418) 543-4633

Port of Sept-Îles
421 Arnaud Street
Sept-Îles QC G4R 3B3
Tel.: (418) 968-1231
Fax: (418) 962-4445

Port of Trois-Rivières
1545 du Fleuve Street
P.O. Box 999
Trois-Rivières QC G9A 5K2
Tel.: (819) 378-3939
Fax: (819) 378-2487

National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

LOCAL PORT CORPORATIONS

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax NS B3J 2P6
Tel.: (902) 426-3643
Fax: (902) 426-7335

Montréal Port Corporation
Port of Montréal Building
Cité du Havre, Wing No. 1
Montréal QC H3C 3R5
Tel.: (514) 283-7042
Fax: (514) 283-0829

Prince Rupert Port Corporation
110-3rd Avenue West
Prince Rupert BC V8J 1K8
Tel.: (604) 627-7545
Fax: (604) 627-7101

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec QC G1K 7P7
Tel.: (418) 648-3558
Fax: (418) 648-4160

Saint John Port Corporation
133 Prince William Street
P.O. Box 6429, Station A
Saint John NB E2L 4R8
Tel.: (506) 636-4869
Fax: (506) 636-4443

St. John's Port Corporation
3 Water Street
P.O. Box 6178
St. John's NF A1C 5X8
Tel.: (709) 772-4582
Fax: (709) 772-4689

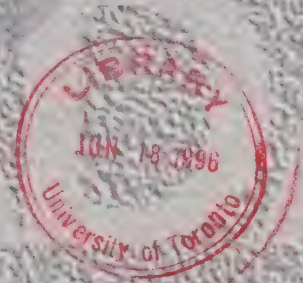
Vancouver Port Corporation
1900-200 Granville Street
Vancouver BC V6C 2P9
Tel.: (604) 666-8966
Fax: (604) 666-1207

PORTS CANADA

CAI
TA 66
-R 25



ANNUAL REPORT



1995

Table of Contents



Ports Canada Profile

Ports Canada describes a federal system of ports administered pursuant to the Canada Ports Corporation Act which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha! Ha!, Sept-Îles and Trois-Rivières. The Corporation also owns a bulk handling terminal in Prince Rupert, Ridley Terminals Inc.

Ports Canada handles over half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.

CANADA PORTS CORPORATION	3
HALIFAX PORT CORPORATION	17
MONTREAL PORT CORPORATION	23
PRINCE RUPERT PORT CORPORATION	31
PORT OF QUEBEC CORPORATION	37
SAINT JOHN PORT CORPORATION	43
ST. JOHN'S PORT CORPORATION	51
VANCOUVER PORT CORPORATION	57
CORPORATE DIRECTORY	65

Ports Canada Perspective

Total traffic includes waterborne cargo handled through terminals administered by Ports Canada ports, as well as waterborne traffic through private facilities within the jurisdiction of the member ports. In 1995, Ports Canada ports handled 184.9 million tonnes of cargo, which is a 214,000-tonne improvement over last year's traffic performance. This level of handling activity was only about two million tonnes below the record level of 186.8 million tonnes set in 1988. It is also a five percent increase over the ten-year average of 176.1 million tonnes during the 1986-1995 period. Of the total Ports Canada tonnage, 152.7 million tonnes, or 83 percent was handled by the seven local port corporations and 32.2 million tonnes was moved through the eight divisional ports administered by the Canada Ports Corporation.

Under the dry bulk category, grain traffic through Ports Canada ports recorded a decrease of 2.5 million tonnes to 23.5 million tonnes, or a decline of 9.6 percent in 1995. This decline was more than offset by increases in coal, potash, sulphur, iron ore and other dry bulk commodities. As a result, total dry bulk traffic was 113.4 million tonnes in 1995, an increase of three percent from the 1994 level.

Offsetting the growth in dry bulk traffic was a 4.5 million-tonne decline in liquid bulk traffic, or a drop of nine percent from the record tonnage of 49.6 million tonnes in 1994 to 45.2 million tonnes in 1995. All major liquid bulk commodities, such as crude petroleum, gasoline and fuel oil recorded lower volumes from their relatively high 1994 levels.

Total system-wide general cargo traffic set a new record of 26.3 million tonnes in 1995, a four percent improvement over the previous record set in 1994. Containerized traffic reached an all-time record high of 15.1 million tonnes or 1.7 million TEUs (twenty foot equivalent units), bettering the 1994 record of 14.4 million tonnes by five percent. At 11.2 million tonnes, non-containerized traffic registered strong growth as well, up three percent from the level recorded in 1994.

In 1995, only two of the seven local port corporations in the system reported increased levels of activity. Driven by strong exports of western Canadian resource products, such as coal, potash, sulphur and increased volumes of containerized and non-containerized general cargo, the Port of Vancouver set a new traffic record in 1995 at 71.5 million tonnes, up six percent from the level in the previous year. The Port of Québec experienced an increase of 11 percent in its total port traffic in 1995 to 17.8 million tonnes, as a result of the higher volumes of dry bulk commodities, such as grain, iron ore and coal, and liquid bulk traffic.

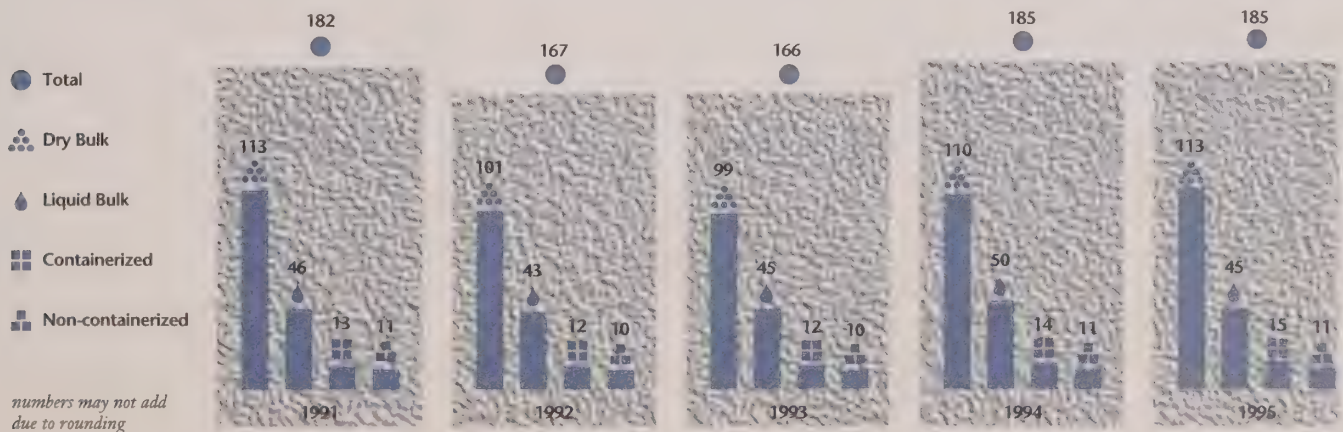
At the Port of St. John's, increased shipments in dry bulk, such as salt and cement were not enough to offset the decreases in most commodities handled at the port. This led to a six percent decrease in port traffic to 866,000 tonnes in 1995. Despite increases in containerized and non-containerized general cargo traffic at the Port of Halifax in 1995, reduced traffic in petroleum products was the cause for the decline in that port's traffic by eight percent to 13.0 million tonnes. For similar reasons, the Port of Saint John had its traffic decline by 11 percent to 18.8 million tonnes in 1995. Total port traffic at the Port of Montréal recorded a four percent decline to 19.2 million tonnes in 1995 due primarily to lower volumes of grain and liquid bulk traffic. This was partially offset by higher iron ore movements and its container throughput which established another record at 7.1 million tonnes. At the Port of Prince Rupert, total traffic reached 11.5 million tonnes in 1995, down 17 percent from the traffic level reported in 1994. This was attributed almost exclusively to the reduced handling of coal and grain.

In 1995, six of the eight divisional ports managed by the Canada Ports Corporation reported increased handling activities. Leading the way in volume growth were the ports of Trois-Rivières and Belledune, which saw their total port traffic grow by 46 percent to 2.7 million tonnes and 42 percent to 1.6 million tonnes, respectively. Increased shipments of U.S. grain and of other dry bulk traffic were the primary reasons for the exceptional growth at the Port of Trois-Rivières. A surge in coal imports by New Brunswick Power Corporation's Belledune Generating Station helped propel the Port of Belledune's traffic to a new record in 1995.

Bolstered by increased salt and forest products shipments, total traffic at Port Saguenay rose to 376,000 tonnes, an increase of 22 percent from the total 1994 level. Traffic at the neighbouring facilities of Baie des Ha! Ha! recorded a decline of 12 percent to 3.6 million tonnes, resulting primarily from the decreased imports of bauxite and alumina. At the Port of Sept-Îles, the increased transshipment of coal and coke breeze, as well as increased movements in most other commodities, led to a two percent increase in total port traffic to 23.3 million tonnes in 1995.

Total port traffic at the Port of Prescott edged up by one percent in 1995 to 562,000 tonnes. Higher volumes of aggregate traffic more than compensated for the declines in grain and salt traffic. Activity at the Port of Churchill was down 16 percent in 1995 to 270,000 tonnes, as a result of the lower volumes of grain handled at the port. Port Colborne handled 14,000 tonnes in grain in 1995, as compared with 13,000 tonnes in 1994.

FIVE YEAR REVIEW (million tonnes)



Ports Canada Financial Review

Revenue from operations of Ports Canada at \$228 million has increased slightly when compared to 1994. Improved revenues and traffic volumes are attributable to a growth in exports partly offset by a drop in petroleum products. Of particular note were marked revenue increases at the ports of Halifax, Prince Rupert, Québec and Vancouver where substantial traffic gains were reported. The re-opening of the Ballantyne Pier two-berth facility at the Port of Vancouver has resulted in a rise in operating expenses to \$186 million, up by \$7 million from 1994.

Operating income of \$42 million was recorded in 1995. Funds from operations, being operating income before depreciation, were \$81 million. Other income, which was primarily investment income, amounted to \$17 million in 1995, up \$33 million over 1994. The 1994 results reflect the reduction at some ports in the carrying value of capital assets amounting to \$30 million. Interest expense at \$25 million rose by \$3 million from 1994, reflecting the Port of Vancouver's new borrowing from the Export Development Corporation (EDC) to finance its Ballantyne Pier and Deltaport container terminal capital projects.

Funds generated by operations and investments are slated for future capital projects to enable the ports to provide the required facilities and remain competitive.

In 1995, Ports Canada paid dividends of \$7 million based on the 1994 financial results.

The Interport Loan Fund (the Fund), administered by the Canada Ports Corporation, provides an alternative source of financing for financially viable projects of the Ports Canada system. Canada has invested a total of \$50 million in the Fund. Since 1991, the Fund has provided a return to Canada on its investment. In 1995, Canada received \$4.9 million from the Fund as the return on its investment based on the 1994 financial results. Borrowings from the Fund in 1995 include funds advanced for the construction of handling and storage facilities for the Alouette project at the Port of Sept-Îles, as well as for the construction of the Mixed Cargo Terminal project at the Port of Belledune.

During the year, the Ports Canada system invested \$68 million in capital assets. These investments were financed primarily by internally generated funds, and by some borrowings from the Fund and the EDC. Major capital projects undertaken in 1995 include the development of the Deltaport container terminal and the redevelopment of Ballantyne terminal at the Port of Vancouver, as well as the construction of the new Mixed Cargo Terminal at the Port of Belledune. Also included are numerous minor projects for the expansion and maintenance of port infrastructure. This level of capital investment reflects the system's ongoing commitment to provide the most modern and efficient port facilities as is economically feasible.

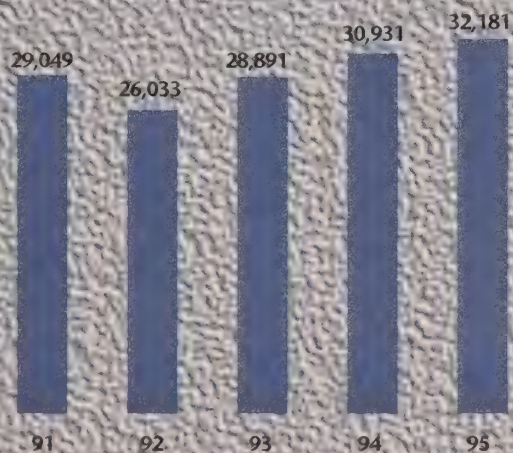
	1995	1994	1993	1992	1991
	<i>(in millions except for average number of employees and ratios)</i>				
Financial results					
Revenue from operations	\$ 228.3	\$ 226.5	\$ 212.5	\$ 217.5	\$ 199.9
Operating expenses	186.1	178.6	181.1	170.8	169.4
Operating income	42.2	47.9	31.4	46.7	30.5
Other income (expenses) — net	17.1	(16.3)	13.6	16.7	20.3
Interest expense	25.2	22.4	22.0	22.6	14.1
Net income (loss)	34.2	9.2	29.2	40.8	(215.8)
Cash provided by operating activities	86.3	86.9	72.7	74.2	45.4
Financial position at year end					
Working capital	\$ 129.7	\$ 86.0	\$ 105.2	\$ 122.2	\$ 111.2
Fixed assets — at cost	1,546.7	1,485.2	1,430.2	1,297.9	1,260.6
Total assets	1,279.7	1,189.5	1,183.4	1,116.8	1,073.3
Long term debt	306.4	305.3	313.6	322.6	369.6
Equity of Canada	744.1	716.7	713.9	666.3	586.4
Capital expenditures	\$ 68.4	\$ 80.1	\$ 72.0	\$ 67.7	\$ 95.0
Federal capital financing					
Grants	—	\$ 0.2	\$ 0.5	\$ 13.0	\$ 32.7
Payments to Canada					
Dividends	\$ 6.8	\$ 6.3	\$ 8.6	\$ 9.2	\$ 12.6
Cash contributions	—	—	35.0	—	—
Employees					
Average number of employees	937	991	1,041	1,162	1,165
Ratios					
Operating revenue/tonne	\$ 1.16	\$ 1.15	\$ 1.24	\$ 1.26	\$ 1.08
Tonnes/employee	209,804	199,474	165,004	149,056	158,329
Cash from operating activities/total assets	6.7%	7.3%	6.1%	6.6%	4.2%
Debt : Equity ratio	41:59	43:57	44:56	48:52	63:3



CANADA PORTS CORPORATION

1 9 9 5

TOTAL TRAFFIC (thousand tonnes)



excludes Ridley Terminals Inc.

Joint Message from the Acting Chairman of the Board and the Acting President and Chief Executive Officer

The year 1995 was one of continuous change and substantial challenges for the Canada Ports Corporation — perhaps more than at any other time since its creation in 1983.

During 1995, the Canada Ports Corporation (CPC) continued efforts to improve the financial and operational performance of the divisional ports and Ridley Terminals Inc. (RTI), including the preparation of corporate plans and capital budgets for Treasury Board, construction and maintenance of cargo handling facilities, maintenance of environmental and safety standards, advising on government policy and regulatory initiatives and, generally, responding to the commercial and service demands of the transportation and shipping communities. In addition, the CPC continued to support, when requested, the local port corporations' business development needs and policy requirements. In 1995, the Corporation carried out its responsibilities while the federal government was reviewing the port and marine industry, including the role of the Canada Ports Corporation.

In December 1995, the Minister of Transport introduced the National Marine Policy addressing ports, the St. Lawrence Seaway, pilotage and ferries. This new policy forms part of the evolution

of transportation policy in Canada to meet the federal government's overall fiscal and policy objectives for the 21st century. Similar to the objectives which have already been applied to other transportation modes, the national marine policy's objectives include ensuring affordable, effective, safe and environmentally-clean services, encouraging fair competition, commercializing facilities and rationalizing

infrastructure and services based on user needs. The

Canada Ports Corporation supports these policy objectives.

A significant aspect of the new National Marine Policy is that the government intends to withdraw from the direct operation of ports. The new policy is to include a National Ports System composed of financially self-sufficient ports that are vital to domestic and international trade. Such ports are to be managed by Canada Port Authorities (CPAs). It is anticipated that the existing local port corporations will be mandatory CPAs. A second group, called regional/local ports, which may include some of CPC divisional ports, will be transferred to and administered by a variety of local interests, thereby ensuring that these ports are responsive to local needs. If the applicable criteria are met, these ports may apply to become Canada Port Authorities.

Throughout the year, the CPC participated in the federal government's marine policy review process beginning with presentations before the Standing Committee on Transport (SCOT), provision of critical studies and information to the SCOT and advice to senior officials of Transport Canada. In anticipation of major changes, the CPC directors continued their review of National Office functions which had been initiated in 1994.

Through its corporate-wide activities, such as the corporate plan and capital budget process, the Corporation ensured that its responsibilities to the shareholder were properly discharged as prescribed in legislation. The Corporation continued to ensure that port operations and plans were commercially-oriented and reflected the needs of the port users. Environmental feasibility and sustainability remained as essential to the Corporation's capital project approval, as did financial viability.

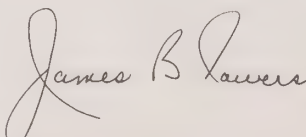
Since their tariff levels were frozen during 1995, all of the divisional ports made a clear effort to increase their operating efficiency, diversify their traffic base and maintain their role in the transportation network. The positive performance of most of the divisional ports reflects these efforts. In Belledune, port traffic has reached a record level because of coal shipments destined to the New Brunswick Power Corporation's Belledune Generating Station which was producing at full capacity in

1995. Work began on the \$32.2 million Mixed Cargo Terminal project with over \$9 million of construction contracts awarded by year's end. The Port of Sept-Îles achieved one of its best traffic performances of the decade due to high levels of iron ore and coal and a more diversified traffic base. In Port Saguenay, the Grande-Anse Marine terminal handled the highest traffic volume ever in its ten years of operations. The future also looks promising as a result of the new five-year contract which has been signed between longshoremen and the terminal operator. The Port of Trois-Rivières had one of its best performances of the decade, in part due to new market developments and its innovative continuous quality program. The Port of Prescott maintained its importance to the local economy of eastern Ontario with its total traffic increasing to the second highest level in the past decade. In January 1995, the Churchill task force presented its recommendations for creating a viable port. The federal government has recently announced the establishment of the Gateway North Marketing Agency to aggressively market and promote the increased use of the Port of Churchill and, ultimately, to make the port self-sustaining. Ridley Terminals Inc. continued its marketing efforts in 1995 in order to diversify its traffic base.

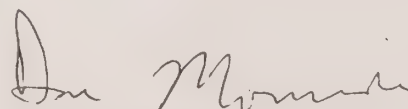
The Canada Ports Corporation continued to support the many projects being initiated and developed at the local port corporations and providing, when requested, support for business development, planning, legal and technical issues. In June 1995, the Canada Ports Corporation substantially increased the delegation of authority of local port corporations for capital projects which are included in the approved capital budget and which are funded by working capital. For such projects, the ports of Vancouver, Montréal and Halifax, have authority up to \$30 million and all other local port corporations have authority up to \$15 million. In August 1995, the Treasury Board approved CPC's request for three-fold increases in the amounts for which the Canada Ports Corporation and the local port corporations may enter into contracts for works and services without the authorization of the Governor-in-Council. Once this increased authority is implemented, the CPC and the Vancouver and Montréal Port Corporations, for example, will be able to approve works contracts up to \$30 million for projects which have been approved by Treasury Board in their five-year corporate plan and one-year capital budget.

In accordance with our statutory obligations, we can report to the board of directors and the shareholder, the Government of Canada, that the Corporation achieved considerable and measurable results in 1995 in pursuing its objectives through appropriate strategies and that necessary procedures and controls are in place to ensure the safeguarding of the Corporation's assets.

The Corporation faced and dealt with a unique and difficult set of challenges in 1995. We would like to acknowledge the support of our shareholder, as well as the guidance, advice and participation of the CPC board of directors. We also, on behalf of the CPC board of directors, would like to recognize the dedication and commitment of the staff of the Canada Ports Corporation at National Office who have continued to perform in a professional during a period of great challenge.



James B. Powers
Acting Chairman of the Board



Don N. Morrison
Acting President and Chief Executive Officer

Canada Ports Corporation

Traffic Overview

Canada Ports Corporation is made up of eight non-corporate ports, referred to as divisional ports, and its wholly-owned subsidiary, Ridley Terminals Inc., a bulk handling terminal. The divisional ports are located in Belledune, New Brunswick; Sept-Îles, Trois-Rivières and Port Saguenay/Baie des Ha! Ha! in Quebec; Port Colborne and Prescott in Ontario; and Churchill in Manitoba. Ridley Terminals Inc. (RTI) which specializes in handling coal, is located at the Port of Prince Rupert, British Columbia. The divisional ports and RTI play a key role in the economy. Industries are dependent on the facilities provided and these ports are often the primary link in both national and international markets.

Dry bulk traffic handled by the Canada Ports Corporation includes iron ore, aluminum ores, such as alumina and bauxite, grain and coal. Liquid bulk traffic is made up primarily of petroleum products. Forest products are examples of general cargo. The divisional ports and RTI constitute an integral part of the total Ports Canada system.

A higher level of traffic was recorded at six of the eight divisional ports. At the Port of Belledune, total port traffic increased by 45 percent to 1.6 million tonnes in 1995 from the 1.1 million tonnes recorded in 1994. Coal traffic climbed from 740,000 tonnes in 1994 to 1.2 million tonnes in 1995, as a result of the New Brunswick Power Corporation's Belledune Generating Station operating at full capacity.

The Port of Churchill reported total traffic of 270,000 tonnes in 1995, as compared to 322,000 tonnes in 1994. Grain traffic, which decreased by 64,000 tonnes to reach 227,000 tonnes in 1995, was the reason for the decline in total port traffic.

Port Colborne had one vessel call in 1995 to handle 14,000 tonnes of grain, compared with last year's two vessel calls for 13,000 tonnes. The grain elevator at the port, which is mainly used in the Ontario feed grain market, reported a significant increase in shipments from 67,000 tonnes to 96,000 tonnes in 1995. These figures include truck, rail and vessel shipments out of the elevator.

At the Port of Prescott, total waterborne traffic recorded a moderate increase to 562,000 tonnes in 1995 from 554,000 tonnes in 1994. Decreases in grain and salt traffic were more than offset by the near-doubling of aggregate traffic at the port. Grain handling was down in 1995 to 268,000 tonnes from 293,000 tonnes, as was salt traffic at 156,000 tonnes from 184,000 tonnes in the previous year. However, these declines were offset by aggregate traffic which climbed to 138,000 tonnes in 1995 from 77,000 tonnes in 1994.

Increased salt traffic combined with 24,000 tonnes of new traffic in logs pushed the total traffic at Port Saguenay facilities up by 22 percent to 376,000 tonnes in 1995. The neighbouring facility at Baie des Ha! Ha! experienced a 12 percent decrease in traffic to 3.6 million tonnes. The primary reason for the lower handling activity was decreased bauxite and alumina imports, which fell by nearly 500,000 tonnes to reach 2.8 million tonnes from the previous year's level. Total traffic at Port Saguenay/Baie des Ha! Ha! decreased by 11 percent to 3.9 million tonnes in 1995 from 4.4 million tonnes in 1994.

The Port of Sept-Îles, which accounts for about three-quarters of the total divisional ports traffic, saw its traffic increase by two percent to 23.3 million tonnes in 1995. This was due primarily to the transshipment of coal and coke breeze which rebounded during the year to reach 801,000 tonnes and traffic increases in most other commodities handled at the port. Iron ore shipments represent almost 90 percent of the total traffic handled at the Port of Sept-Îles.

The Port of Trois-Rivières finished the year with its highest traffic level since 1987. At 2.6 million tonnes, this represented an 814,000-tonne improvement or an increase of 46 percent over the level recorded in 1994. Grain traffic at the port more than doubled to 1.1 million tonnes due to increased U.S. grain exports through the Great Lakes/St. Lawrence System. The surge in grain traffic was also complemented by increased shipments in other dry bulk, such as raw sugar and clinker, and general cargo, such as forest products.

Ridley Terminals Inc. traffic recorded a decrease of 13 percent to just under 6.0 million tonnes from the 6.8 million tonnes in 1994. Coal traffic was down by 14 percent to 5.7 million tonnes in 1995. A combination of factors explains the decrease in coal handling at the terminal including strong exports in 1994 which exceeded the contractual level, lower inventory carry-over from 1994 to 1995, production constraints at the mine and disruptions in rail transport.

In total, the divisional ports handled 32.2 million tonnes of cargo in 1995, a four percent improvement over the 30.9 million tonnes reported in 1994. This represents 17 percent of the 184.9 million tonnes handled by the Ports Canada system of ports in 1995. This percentage has been fairly constant in recent years.

Canada Ports Corporation

Financial Overview

The financial overview of the Corporation includes the financial results of the wholly owned subsidiary Ridley Terminals Inc. (RTI). Port financial performance in 1995 depends in large part on both the volume and mix of cargo handled. The traffic decreased slightly for the year and the decline has had an impact on operating results. RTI experienced a reduction in traffic volume handled in 1995 and, as a result did not make as substantial a contribution to CPC's financial performance as last year. On the other hand, the divisional ports have improved their performance in 1995.

Principal Operations

The principal operations of the Canada Ports Corporation are defined by the activities of the divisional ports and RTI.

Revenue from Operations

Revenue from operations in 1995 was at \$58.5 million, down four percent from the 1994 level of \$60.8 million. RTI generated 60 percent of CPC's operating revenues. RTI's decrease of \$2.9 million below 1994 is attributable to production difficulties at a major customer and to a more normal level of tonnage shipped in the first quarter of 1995. The Port of Trois-Rivières is mainly accountable for the \$630,000 increase generated at the divisional port's level. The stevedores strike at the Port of Montréal had a positive impact on Trois-Rivières' traffic volume.

Operating Expenses

Operating expenses at \$33.8 million were stable in comparison to 1994. The ports of Churchill, Saguenay/Baie des Ha! Ha!, Sept-Îles and Belledune had lower operating expenses in 1995. RTI, Port Colborne and Port of Prescott had increases in their operating expenses.

Income from Operations

Income from operations at \$24.6 million was down by \$2.3 million or nine percent below 1994. It primarily includes the operating income of RTI, the ports of Belledune and Sept-Îles with \$17.4 million, \$3.6 million and \$3 million respectively. The drop however, is the result of lower revenues at RTI, as explained above.

Investment Income

Investment income of \$4.2 million was up by 20 percent compared to one year earlier due to an increase in the investment base and the higher yields obtained in 1995.

Interest Expense

Interest expense of \$17.7 million increased slightly from last year mainly due to a full year of interest expense on the 1994 transfer from the Interport Loan Fund to the Port of Sept-Îles.

Workers' Compensation Benefits

Three ports recorded the actuarial estimated liability of \$1.28 million for future worker's compensation benefits. The ports of Colborne, Prescott and Churchill expensed \$715,000, \$530,000 and \$38,000, respectively. In the past, the amounts had been recorded in the year they were disbursed.

Net Income

Net income at \$9.8 million was up by \$4.5 million, when compared with 1994. Write-down of capital assets of \$7.6 million largely contributed to a lower net income in 1994 which partly explains this year's improvement. However, the workers' compensation benefits liability amount recorded in 1995 partially offset this positive impact. The net results were affected by RTI's decrease in operating results which was offset by higher investment income. Nevertheless, RTI, the ports of Trois-Rivières and Belledune are the major contributors to the net income with \$4.8 million, \$1.9 million and \$1.5 million, respectively, while the Port of Churchill and Port Colborne show a net loss of \$443,000 and \$313,000, respectively.

Dividend to Canada

In 1995, the Corporation paid a dividend to Canada of \$171,000 based on the 1994 results.

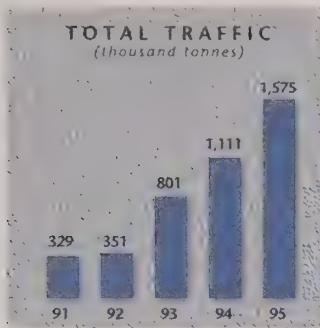
Interport Loan Fund

The Fund was established by Canada in 1989 to provide financing for financially viable capital projects of the Ports Canada corporations. Canada has a total investment of \$50.0 million in the Fund. In 1995, the Fund advanced \$10.1 million to the ports of Belledune and Sept-Îles for capital projects. It also paid a dividend to Canada of \$4.9 million based on the 1994 results.

Capital Investments

In 1995, the Corporation invested a net \$9.9 million in the construction of new facilities and in the improvement of existing ones. The major expenditure is the \$8.7 million spent at the Port of Belledune for the Mixed Cargo Terminal project. All of the capital investments were financed by borrowings from the Interport Loan Fund and internally generated funds.

Port of Belledune



The Port of Belledune is located on the south shore of the Baie des Chaleurs in northeastern New Brunswick. The port has two wharves to handle liquid and dry bulk cargo. As well, construction began during the year on a Mixed Cargo Terminal which is scheduled to become fully operational in 1996.

The first wharf, which is 167 meters in length, is leased to Brunswick Mining and Smelting Corporation. The wharf is equipped with a reversible conveyor belt and can accommodate ships up to 45,000 DWT. In addition, Shell Canada operates a petroleum products terminal at the facility.

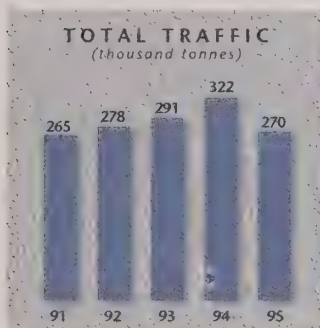
In 1992, a second wharf was built by the Canada Ports Corporation to handle imported coal for the Belledune Generating Station, which is owned and operated by the New Brunswick Power Corporation. The wharf is approximately 300 meters in length with a water depth alongside of 15.9 meters. The New Brunswick Power Corporation installed ship unloading equipment and a covered conveyor system to link the wharf to the generating station.

In 1995, construction started on a \$32.2 million Mixed Cargo Terminal. During the year \$9 million was spent on dredging, crib construction and landfill. The general cargo wharf will be 450 meters in length with a water depth alongside of 11.6 meters. A 6,500 square meter shed will be constructed with 11 hectares of back-up land.

Port traffic reached a record level with 1.6 million tonnes, up from the 1.1 million tonnes handled in 1994. Of the total, 1.2 million tonnes was bituminous coal, 203,000 tonnes was phosphate rock and 60,000 tonnes was petroleum products. The port also handled synthetic gypsum, coke, metallic ore concentrates and fertilizer.

The Port of Belledune recorded operating revenues of \$4.9 million in 1995, which were at the same level as in 1994. Operating expenses decreased to \$1.3 million from \$1.5 million in the previous year. The port's operating results show a net income in 1995 of \$1.5 million, an increase of \$320,000 from 1994.

Port of Churchill



The Port of Churchill, located on the western shore of Hudson Bay, continued its primary role of exporting western Canadian grain. This year marked the 66th year that grain was shipped through the elevator. In addition, the port has the important function to re-supply the northern communities in the Keewatin region of the Northwest Territories.

The 1995 navigation season was extended to November 28, 1995, the longest season ever, when the MV Federal Franklin departed for Mexico loaded with 36,000 tonnes of wheat. Total port traffic declined during the year from 322,000 tonnes in 1994 to 270,000 tonnes in 1995. Grain exports through the port were at their second lowest level since 1951.

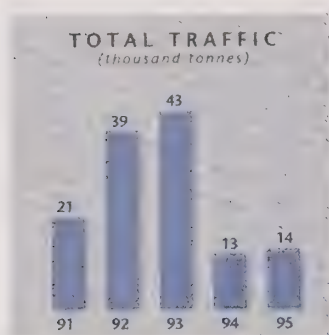
Seven ships visited the port during the shipping season carrying 227,000 tonnes of wheat destined for Brazil and Mexico. This tonnage accounted for 84 percent of total port traffic. Northern re-supply operations handled 30,000 tonnes during the year consisting primarily of petroleum products, building materials, vehicles, equipment and other essential supplies.

Tourism continued to be an important activity at the Port of Churchill. Three small cruise vessels carrying a total of 150 passengers called at the port during August.

In January 1995, the Churchill task force presented its recommendations for creating a viable port. As a result, the federal government has recently announced the establishment of the Gateway North Marketing Agency to aggressively market and promote the increased use of the Port of Churchill. Also, as a follow-up to the Churchill Task Force report, CN North America tested in September 1995, aluminum hopper cars on the Hudson Bay Rail line. The objective was to evaluate the potential of replacing box cars with aluminum hopper cars for transporting grain and other bulk products.

Total operating revenues in 1995 dropped to \$3.7 million from \$4.1 million in 1994. Operating expenses for the year were \$4.0 million compared to \$4.5 million in 1994. The Port of Churchill had an operating loss in 1995 of \$342,000 and a net loss of \$443,000. In 1994, the port registered a net loss of \$6 million due to the write-down of the value of its fixed assets by \$5.7 million.

Port Colborne



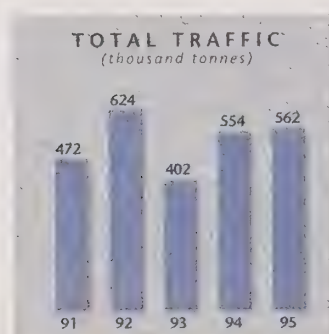
Located at the southern entrance to the Welland Canal on Lake Erie, Port Colborne specializes in the handling of domestic grain. In 1986, the Canada Ports Corporation leased the grain elevator to Goderich Elevators Limited under the terms of a twenty-year agreement. As well, in an effort to diversify operations, a portion of the port's waterlot was leased to the City of Port Colborne to operate the Sugarloaf Harbour Marina. The marina serves transient and seasonal craft and includes repair facilities, as well as a restaurant.

In 1995, only one ship called at the port, down from two in the previous year. Total waterborne

grain traffic increased slightly to 14,000 tonnes from 13,000 tonnes in 1994. However, this waterborne traffic represents only a small percentage of the total shipments of 96,000 tonnes which are handled by truck, rail and vessel at the grain elevator.

Operating revenues of \$150,000 were up slightly in 1995 from \$143,000 in the previous year. Operating expenses increased from \$147,000 to \$163,000 in 1995. Consequently, the operating loss increased from \$3,000 in 1994 to \$13,000 in 1995. Investment income of \$415,000 was more than offset by the workers' compensation benefits liability of \$715,000 and caused the port to end the year with a net loss of \$313,000.

Port of Prescott



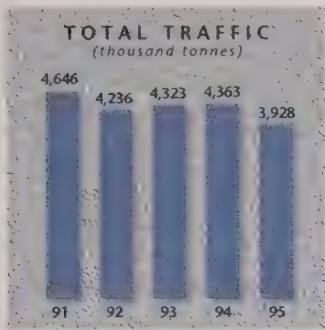
The Port of Prescott is located on the St. Lawrence River, 100 kilometers south of Ottawa and 200 kilometers west of Montréal. With its harbour at seaway depth, the port is the only major marine grain elevator for public use in Eastern Ontario. The port is well served by major highways including Highway 401 and the national railways, and has good access to Toronto, Montréal and the state of New York.

While the primary commodity handled is grain, the port has diversified to other bulk commodities, such as aggregate and salt. It also leases land for other port and non-port activities including a marina, feed mill and cottage lots. The port operates year-round, although vessel traffic stops from late December to early March.

The Port of Prescott welcomed 31 vessels during the year and handled 562,000 tonnes of cargo, up from 554,000 tonnes in 1994. Salt tonnage was down slightly in 1995 to 156,000 tonnes from 184,000 tonnes and waterborne grain traffic slipped from 293,000 tonnes in 1994 to 268,000 tonnes. However, aggregate traffic jumped during the year from 77,000 tonnes to 138,000 tonnes.

Operating revenues for 1995 rose to \$3.0 million from \$2.9 million the previous year. Operating expenses also increased from \$2.6 million in 1994 to \$3.1 million in 1995, resulting in an operating loss of \$94,000. Investment income of \$1.3 million in 1995, partially offset by the workers' compensation benefits liability of \$530,000, provided the port with a net income of \$654,000 compared to \$1.4 million in 1994.

Port Saguenay/Baie des Ha! Ha!



Port Saguenay/Baie des Ha! Ha! is located approximately 54 nautical miles from the junction of the Saguenay and St. Lawrence Rivers. The port plays a key role in the local economy and provides vital services to the region's resource-based industries. The primary industrial sectors in the area are pulp and paper, lumber and aluminum production.

In 1995, total traffic at Port Saguenay increased by 22 percent to 376,000 tonnes from 308,000 tonnes handled in 1994. This is the highest level handled at the port since the opening of the Grande-Anse Marine Terminal in 1985. Increased salt traffic by 23,000 tonnes combined with a new and higher level of forest products traffic accounted for this good performance.

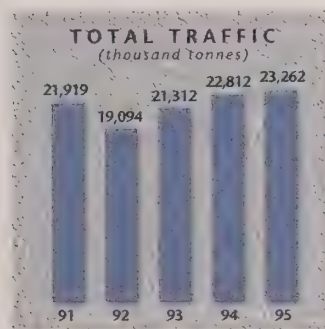
Alcan Aluminum Limited owns and operates the private wharf at Baie des Ha! Ha! which handles raw materials for the company's use. Total traffic during the year decreased from 4.1 million tonnes to 3.6 million tonnes. The decline was attributed to a decrease of nearly

500,000 tonnes in the import of bauxite and alumina, due to a strike at Alcan facilities.

Port Saguenay had operating revenues of \$1.1 million, which is a six percent increase from 1994. Operating expenses decreased by 26 percent during the year to \$926,000 with the port reporting an operating income of \$161,000 in 1995. In 1994, the port experienced an operating loss of \$226,000. Investment income of \$493,000 and the operating income enabled the port to post a net profit of \$653,000. In 1994 the port reported a net loss of \$1.7 million because of the write-down in the value of fixed assets by \$1.9 million. Capital expenditures totalled \$409,000 in 1995 compared with \$326,000 in 1994.

At Baie des Ha! Ha! total operating revenues decreased to \$158,000. Operating expenses decreased from \$298,000 in 1994 to \$113,000, leading to a net operating income of \$45,000 in 1995. There was no recurrence in 1995 of the amount of depreciation incurred in 1994 of \$171,000 as a result of the write-down in the value of the St. Alexis de Grande-Baie wharf. Net profit was \$105,000 compared to a net loss of \$81,000 in 1994.

Port of Sept-Îles



The Port of Sept-Îles is a deep-water port located on the north shore of the Gulf of St. Lawrence, 650 kilometers east of Québec City. The port consists of a large natural basin with a water depth of more than 80 meters, open to year-round navigation. It is the main iron-ore port in Canada and serves the mining industry of Quebec and Labrador.

In 1995, total port traffic was 23.3 million tonnes, up from 22.8 million tonnes in 1994. From this total, 20.5 million tonnes of iron ore was handled at the port's private facilities. Although iron ore accounted for almost 90 percent of total traffic, it only represents approximately 10 percent of total revenue.

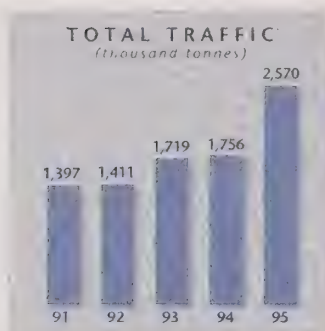
A total of 2.2 million tonnes of cargo was handled at the Corporation's facilities in 1995, up from 1.4 million tonnes the previous year. Approximately 30 percent of this total is associated with the operation of the aluminum plant.

Transshipment of coal and coke breeze rebounded strongly during the year to reach 801,000 tonnes compared to 56,000 tonnes in 1994.

Continuing efforts have been made to increase the port's traffic level and diversify Pointe-Noire's traffic base, especially with respect to the development of the rail-car ferry service.

Financial results for the year indicate operating revenues of \$7.4 million, up from \$7.3 million in 1994. Operating expenses for 1995 at \$4.3 million were at the same level as in the previous year. This resulted in an increase in operating income from \$2.9 million in 1994 to \$3.0 million in 1995. The cost of financing the debt at \$2.7 million in 1995, partially offset by investment income of \$603,000 resulted in the port recording a net income of \$932,000, compared with \$825,000 in 1994.

Port of Trois-Rivières



Strategically located between the ports of Montréal and Québec, the Port of Trois-Rivières offers an extensive range of facilities and services to the shipping industry. Trois-Rivières owed its success in the past to pulp and paper producers in the region and to shipments of Canadian grain. It is now undergoing major changes and increasingly more of its port users are from outside the region.

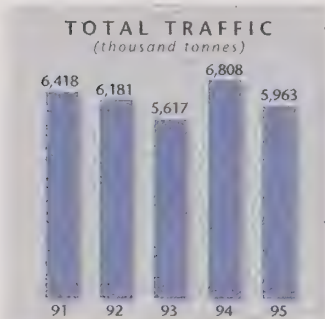
The Port of Trois-Rivières finished the year with an exceptional performance, in part due to the development of new markets and its innovative continuous quality program.

Total waterborne tonnage in 1995 reached 2.6 million tonnes, a 44 percent increase from the 1.8 million tonnes in 1994.

Grain traffic increased dramatically to 1.1 million tonnes from 534,000 tonnes in 1994. Dry bulk cargo, such as raw sugar, clay, clinker and de-icing salt improved considerably over the previous year. This was complemented by new and increased cargo, including forest products. A total of 276 commercial ships called at the port, an increase of 32 percent from the previous year's level of 209 ships.

The port improved its operating revenues in 1995 by 30 percent to reach \$3.5 million. Operating expenses remained flat at \$2.4 million resulting in an operating income of \$1.1 million compared with \$238,000 in 1994. The net income, boosted by investment income of \$863,000, reached \$1.9 million this year compared with \$938,000 last year.

Ridley Terminals Inc.



Ridley Terminals Inc. (RTI) is located on a 55-hectare site on the northern end of Ridley Island at Prince Rupert, B.C. The terminal is a sophisticated bulk-handling facility used for moving coal from unit trains onto ships. Deep-water bulk carriers have year-round ice-free access to a large natural harbour that is sheltered by a ring of outer islands.

The terminal has a capacity to ship approximately 16 million tonnes of coal a year. Access to the facility, from the main CN North America rail line, is accomplished by means of a three-track, 2,200-meter causeway.

In 1995, 6.0 million tonnes of cargo moved through the terminal, down from 6.8 million

tonnes in 1994. Coal shipments through RTI decreased by 14 percent in 1995, while petroleum coke shipments increased to 273,000 tonnes from 180,000 in 1994.

RTI's operating revenues for the year were \$34.8 million compared to \$37.8 million in 1994. Operating expenses totalled \$17.4 million in 1995 up from \$16.7 million in 1994. Interest expense on the debt for the construction of the terminal amounted to \$12.7 million in 1995 and \$12.8 million in 1994. As well, RTI repaid \$6.1 million of debt in 1995, down from \$10.4 million in 1994. Net income for 1995 decreased to \$4.8 million from \$8.4 million in 1994.

Auditors' Report

To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1995 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, except that certain transactions of the Corporation which were brought to our attention by management may not have been appropriately authorized or may be otherwise irregular (see Note 13), the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Arthur Anderson + Co.

Chartered Accountants

Ottawa, Ontario

February 23, 1996

Balance Sheet

as at December 31, 1995

	1995	1994
	(in thousands of dollars)	
Assets		
Current		
Cash	\$ 2,567	\$ 1,520
Short-term investments (Note 3)	29,642	24,966
Accounts receivable	8,880	6,884
Due from Canada	1,921	1,008
Materials and supplies	2,875	2,694
	45,885	37,072
Investments (Note 3)	16,836	18,414
Capital assets (Note 4)	103,329	97,979
	166,050	153,465
Interport Loan Fund (Note 9)	98,648	96,097
	\$264,698	\$ 249,562
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 18,003	\$ 17,067
Due to Interport Loan Fund (Note 6)	1,722	1,340
	19,725	18,407
Accrued employee benefits	1,913	2,357
Deferred revenues	295	442
Due to Interport Loan Fund (Note 6)	59,729	51,306
Long-term debt (Note 7)	179,863	186,040
	261,525	258,552
Contingency (Note 1)		
Deficiency of Canada		
Contributed capital	111,672	111,672
Deficit (Note 8)	(207,147)	(216,759)
	(95,475)	(105,087)
	166,050	153,465
Interport Loan Fund (Note 9)	98,648	96,097
	\$264,698	\$ 249,562

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

James B. Powers

James B. Powers
Acting Chairman

Don N. Morrison

Don N. Morrison
Acting President and Chief Executive Officer

Statement of Income and Deficit

for the year ended December 31, 1995

	1995	1994
	<i>(in thousands of dollars)</i>	
Revenue from operations	\$ 58,486	\$ 60,797
Operating and administrative expenses	26,572	26,225
Depreciation	4,597	4,776
Municipal grants and taxes	2,675	2,816
	33,844	33,817
Income from operations	24,642	26,980
Investment income	4,162	3,500
Interest expense	(17,738)	(17,605)
Net income for the year before the undernoted items	11,066	12,875
Workers' compensation benefits	(1,283)	—
Write-down of capital assets	—	(7,586)
Net income for the year	9,783	5,289
Deficit at beginning of the year	(216,759)	(221,805)
Dividend to Canada	(171)	(243)
Deficit at end of the year	\$(207,147)	\$(216,759)

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Financial Position

for the year ended December 31, 1995

	1995	1994
	<i>(in thousands of dollars)</i>	
Operating Activities		
Net income for the year	\$ 9,783	\$ 5,289
Items not affecting cash		
Depreciation	4,597	4,776
Write-down of capital assets	—	7,586
Other	(600)	724
Net change in non-cash components of working capital	(800)	865
Cash provided by operating activities	12,980	19,240
Financing Activities		
Capital grants	—	168
Change in due from Canada	(913)	(713)
Transfers from Interport Loan Fund	10,145	4,700
Repayment of transfers from Interport Loan Fund	(1,340)	(1,114)
Issuance of long-term debt	11,434	11,000
Repayment of long-term debt	(17,607)	(21,468)
Dividend paid to Canada	(171)	(243)
Cash provided (required) by financing activities	1,548	(7,670)
Investing Activities		
Additions to capital assets	(9,938)	(5,877)
Change in construction payables	(445)	197
Decrease (increase) in long-term investments	1,578	(66)
Cash required by investing activities	(8,805)	(5,746)
Increase in Cash and Short-Term Investments	5,723	5,824
Cash and Short-Term Investments at Beginning of the Year	26,486	20,662
Cash and Short-Term Investments at End of the Year	\$ 32,209	\$ 26,486

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

December 31, 1995

1. *Canada Ports Corporation Act*

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act* (the *Act*), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct responsibility for operating eight divisional ports and has a wholly-owned subsidiary Ridley Terminals Inc. (RTI), a coal terminal facility at Prince Rupert. The *Act* provides for the establishment of local port corporations to manage and operate additional selected ports. The *Act* also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

On December 15, 1995 Transport Canada released its National Marine Policy, which indicated that the *Canada Ports Corporation Act* will be replaced by a new *Canada Marine Act*. The effect of the reorganization of port facilities in Canada, if any, on the recoverability of the Corporation's assets and the discharge of its liabilities as reflected in the accompanying financial statements, is not determinable at this time and as such a provision for adjustments which may be ultimately required has not been made in the accompanying financial statements.

2. Significant Accounting Policies

(a) *Financial statements*

The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not automatically accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see Note 9).

(b) *Investments*

The short-term investments are carried at lower of amortized cost, whereby premiums or discounts from par value are amortized over the periods to maturity, or market. Long-term investments are carried at amortized cost or market if a permanent decline exists.

(c) *Materials and supplies*

Materials and supplies consist of supplies, consumables and repair parts. They are valued at the lower of cost or market.

(d) *Capital assets*

Capital assets are recorded at cost, with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Government assistance received towards capital projects is deducted from the cost of the related capital assets.

Depreciation of capital assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated remaining useful lives of the assets.

(e) *Pension plans*

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to Canada for indexation payments under the *Supplementary Retirement Benefits Act*. Employees of RTI are covered separately by a non-contributory defined-benefit plan.

(f) *Municipal grants and taxes*

The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(g) *Employee benefits*

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(h) *Revenue recognition*

Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50% of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's throughput agreements with its two main customers are in place until March 31, 1998 and March 31, 1999. These agreements provide for guaranteed delivery of an annual minimum tonnage to the terminal. Revenues resulting from any shortfall in tonnage are recognized at the end of the coal year when the amount of shortfall revenue is known.

3. Investments

Short-term investments consist of \$29,642,000 of Canada treasury bills (1994 — \$24,966,000). As at December 31, 1995 and 1994, the market value of the short-term investments approximates their amortized cost.

Long-term investments of \$16,836,000 (1994 — \$18,414,000) are Canada bonds and as at December 31, 1995, their market value is \$21,014,000 (1994 — \$20,743,000).

4. Capital Assets

(a) Summary

				1995	1994
				<i>(in thousands of dollars)</i>	
	Depreciation rates %	Cost or appraised value	Accumulated depreciation and write-downs	Net	Net
Land	—	\$ 6,682	\$ —	\$ 6,682	\$ 6,609
Dredging	2.5 – 6.7	16,123	9,955	6,168	6,335
Berthing structures	2.5 – 10	50,607	25,968	24,639	25,503
Buildings	2.5 – 10	34,465	15,045	19,420	19,810
Coal terminal facility	4 – 33	22,335	3,333	19,002	19,622
Utilities	3.3 – 10	8,541	3,186	5,355	5,699
Roads and surfaces	2.5 – 10	5,836	3,359	2,477	2,419
Machinery and equipment	5 – 100	31,240	22,250	8,990	8,197
Office furniture and equipment	20	4,027	3,522	505	813
Works under construction	—	10,091	—	10,091	2,972
		\$189,947	\$ 86,618	\$103,329	\$ 97,979

(b) Capital Grants

In 1995, the Corporation has not received any capital grants towards the construction of capital assets (1994 — \$168,000).

(c) Commitments

Contractual obligations for the completion, construction and purchase of capital assets are estimated at \$2,538,000 of which most will be expended in the year ending December 31, 1996.

RTI leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are deferred revenues of \$3,277,000 (1994 — \$1,070,000) and current portion of long-term debt of \$77,000 (1994 — \$73,000).

6. Due to Interport Loan Fund

The Interport Loan Fund has provided long-term financing for the coal terminal and mixed cargo terminal projects at the Port of Belledune and the Alouette project at the Port of Sept-Îles as follows:

	1995	1994
	<i>(in thousands of dollars)</i>	
(a) Transfers to the Port of Belledune bearing interest at 7.18% to 11.47%, repayable in twenty blended annual instalments of principal and interest of \$3,405,000 and maturing between December 31, 2013 and 2015.	\$29,202	\$23,135
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91% to 9.20%, repayable primarily in twenty blended annual instalments of principal and interest of \$3,836,000 and maturing December 31, 2011.	32,249	29,511
	61,451	52,646
Less: Current portion	(1,722)	(1,340)
	\$ 59,729	\$51,306

Principal repayment requirements over the next five years amount to \$1,722,000 in 1996, \$1,876,000 in 1997, \$2,044,000 in 1998, \$2,227,000 in 1999 and \$2,426,000 in 2000.

7. Long-Term Debt

	1995	1994
	<i>(in thousands of dollars)</i>	
(a) Loan from Canada, bearing interest at 6.44%, repayable in twenty blended annual installments of principal and interest of \$106,000 and maturing on December 31, 2000.	\$ 440	\$ 513
(b) RTI note, repayable on August 12, 1998, and bearing interest at 6.93% payable annually.	165,000	165,000
(c) RTI note, under a revolving credit facility, repayable by August 12, 1998, and bearing interest at Canadian inter-bank bankers' acceptance rate plus 0.20% payable at maturity of note.	14,500	20,600
	179,940	186,113
Less: Current portion	(77)	(73)
	\$179,863	\$186,040

Principal repayment requirements over the next five years amount to \$77,000 in 1996, \$82,000 in 1997, \$179,588,000 in 1998 and \$93,000 in 1999 and \$100,000 in 2000.

The debt of RTI which is with Export Development Corporation (EDC) consists of notes. Under the financing arrangement with EDC, the fixed rate note is repayable in 1998, while notes issued under the revolving credit facility, at variable rates, are repayable by August 12, 1998.

The revolving credit facility provides for notes to be issued up to an aggregate maximum of \$41 million. These notes may be for a term of one to twelve months and may roll over on maturity date with new face values and new interest rates, with final repayment of all amounts under the credit facility due on August 12, 1998. As at December 31, 1995, the interest rate on the note under the credit facility is approximately 6.3%.

The financing with EDC is guaranteed unconditionally by Canada to a maximum of \$230 million and is secured by a \$250 million collateral demand debenture over all present and future assets of RTI.

8. Deficit

At the incorporation of RTI in 1981, 50% of RTI was owned by the Corporation while the remaining 50% was owned by an unrelated party. The shareholders' agreement of RTI provided a condition for the unrelated party to sell its shares to the Corporation in 1991. On July 30, 1991, the Corporation purchased the remaining 50% ownership in RTI and RTI became a wholly-owned subsidiary of the Corporation. The share purchase of \$58.5 million was paid in cash and was fully financed by Canada. The excess of the purchase price, over the assets acquired of \$31.7 million less the liabilities assumed of \$229.1 million, resulted in a loss on acquisition of RTI of \$255.9 million which forms the most significant component of the deficit of the Corporation.

9. Interport Loan Fund

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations.

Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Until December 31, 1994, earnings of the Fund were, pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established. During 1995, the terms and conditions were amended to provide that the remaining earnings of the Fund of a year, after providing for the dividend to Canada, be transferred to the Corporation.

The balance sheet of the Fund as at December 31 shows:

	1995	1994
	<i>(in thousands of dollars)</i>	
Assets		
Current		
Cash and investments	\$32,897	\$38,745
Transfers receivable	1,722	1,340
Loans receivable	175	162
	34,794	40,247
Transfers receivable	59,729	51,306
Loans receivable	6,143	6,318
Allowance for doubtful accounts	(2,018)	(1,774)
	\$98,648	\$96,097
Liability		
Current		
Account payable	\$ 2,104	\$ —
Fund Balance		
Contributions from Canada	76,650	76,650
Retained earnings	19,894	19,447
	96,544	96,097
	\$98,648	\$96,097

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1995 and 1994, the market value of the investments approximates their amortized cost.

In 1995, the Fund advanced \$10.1 million (1994 — \$4.7 million) to the ports of Belledune and Sept-Îles for capital projects.

The Fund is committed to provide financing of \$13.6 million in 1996 for a financially viable capital project at the Port of Belledune.

The statement of income and retained earnings of the Fund is as follows:

	1995	1994
	<i>(in thousands of dollars)</i>	
Interest income	\$ 7,927	\$ 7,012
Operating and administrative expenses	497	206
Net income for the year	7,430	6,806
Retained earnings at beginning of the year	19,447	17,362
Dividend to Canada	(4,879)	(4,721)
Transfer to the Corporation	(2,104)	—
Retained earnings at end of the year	\$19,894	\$19,447

10. Pension Plans

As at December 31, 1995, the updated actuarial reports of RTI's non-contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to \$7,193,000 (1994 — \$4,993,000) and the value of the pension fund assets, at market value, amounts to \$6,675,000 (1994 — \$5,204,000). RTI's pension expense for 1995 of \$616,000 (1994 — \$380,000) is actuarially determined.

11. Related Party Transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In accordance with the *Act*, operating and administrative costs incurred by the Corporation in the amount of \$5,356,000 have been recovered from the local port corporations in 1995 (1994 — \$8,245,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of \$1,803,000 (1994 — \$2,024,000) charged by a local port corporation. At December 31, 1995, \$379,000 (1994 — \$233,000) of rental costs are included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities is \$4,493,000 (1994 — \$4,486,000) of interest payable to EDC, a Crown Corporation (see note 7).

Investment income of \$4,100,000 (1994 — \$3,467,000) was earned on Canada securities and interest charges of \$33,000 (1994 — \$37,000) were paid to Canada. Details of other transactions with the Government of Canada are disclosed in notes 3, 4(b), 7, 8 and 9.

12. Other Contingent Liabilities

Claims aggregating approximately \$3,800,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in the future cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

In the normal course of business, the Corporation is exposed to potential environmental issues, the ultimate effect of which is not determinable at this time, and as such, no provision has been made in the accompanying financial statements.

13. Other Matters

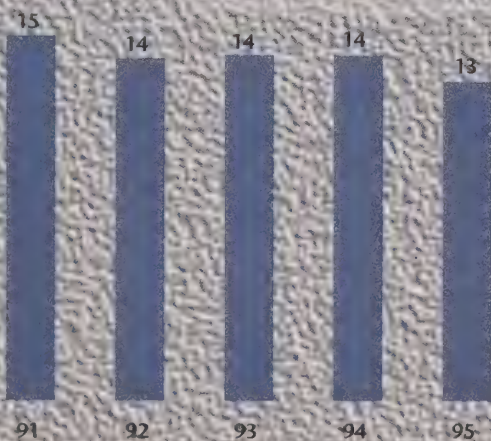
The Corporation is required to comply with, amongst other requirements, the *Financial Administration Act* and regulations as it applies, the *Canada Ports Corporation Act*, and the by-laws of the Corporation. During 1995, certain matters arose, involving expenditures of the Corporation which may not have been appropriately authorized or may be otherwise irregular, and these are being addressed by management and the board of directors and reported to the Minister. In the opinion of management, these matters are not material to the overall financial position of the Corporation, and the ultimate resolution of them is not expected to have a material impact on the overall financial position of the Corporation as reflected in the accompanying financial statements.



HALIFAX PORT CORPORATION

1 9 9 5

TOTAL TRAFFIC (million tonnes)



Joint Message from the Chairman of the Board and the President and Chief Executive Officer

We are pleased to report on the financial results and operating activities of the Halifax Port Corporation (Corporation) for the year ended December 31, 1995.

Cargo tonnage handled at the Corporation's facilities increased for the third consecutive year in 1995. This is in sharp contrast to the two years prior to 1993 when cargo tonnage declined by 36 percent. The Corporation registered a 15.5 percent gain in cargo tonnage handled at its facilities in 1995 compared with the previous year. Though some of the increase can be traced to cargo diversion during the stevedores strike at the Port of Montréal, the majority of it relates to significant increase in U.S. midwest traffic driven by the opening of CN North America's St. Clair Tunnel and new liner services boosting both containerized and breakbulk cargo volumes.

The cruise business at the Corporation's facilities remained buoyant in 1995. Though at 30,200 the passenger count was 20 percent less than the previous year, confirmed vessel calls to date indicate the 1996 passenger level will match that of 1994. The Corporation is continuing with its program of facilities upgrades to make them more efficient and attractive for the cruise passengers. In

1995, an extensive redevelopment of the access roadway adjacent to the cruise vessel facility provided for increased passenger safety and convenience while greatly improving the appearance of the area.

The future of the Port of Halifax is closely linked to its rail connections with its inland markets, particularly central Canada and the U.S. midwest. The opening of the St. Clair Tunnel in April 1995, which permits at

least 12 hours to be shaved off the transit time for cargo between Halifax and the U.S. midwest, has provided even greater cause for optimism regarding the port's future. Since the opening of the Tunnel, U.S. midwest traffic through the Corporation's facilities has almost tripled compared with the previous year. This routing has tremendous potential for cargo growth.

During the year, the Corporation achieved its major objectives which are to continuously increase its container cargo volumes, expand its non-containerized cargo and revenue base and progressively improve upon its net income performance. The full effect of the two new services (PAX and SPM) that commenced late last year was felt in 1995 and was one of the leading causes for the significant increase in container traffic over the previous year. A new Far East export service contributed greatly to the large increase in breakbulk cargo, thereby adding further diversity to the Corporation's revenue base and reducing its financial dependency on the highly volatile containerized business. The Corporation's net income of \$1.8 million exceeded the previous years results by more than 350 percent.

Capital expenditures in 1995 totalled \$4.04 million which is more than twice the amount spent in the previous year. Capital expenditures during the year were directed towards improving the functionality and efficiency of the current inventory of physical assets rather than new construction. Major expenditures were made for shed roof replacements, terminal resurfacing, capital dredging, roadway improvements and electrical system upgrades. Capital expenditures in 1996 are expected to exceed \$14.0 million, highlighted by the redevelopment of Pier A resulting in a rejuvenated deepwater berth with a new breakbulk cargo shed, and by the construction of a new administration building at Pier C to be leased to Halterm Limited.

Total port cargo in 1995 was 13.0 million tonnes, down 7.6 percent from the previous year. Crude and refined oil volumes declined

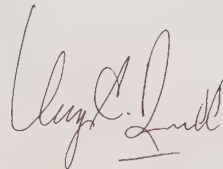
23.2 percent compared with the previous year, due primarily to the closure of the Ultramar Oil Refinery in late 1994 and an extraordinary transfer of crude oil between vessels in the harbour last year that did not re-occur in 1995.

Containerized cargo grew by an impressive 22.2 percent in 1995 to 3.1 million tonnes. In addition to the two new services that commenced late last year, the increase in containerized cargo can also be attributed to the opening of the St. Clair Tunnel. Roll-on roll-off cargo increased by 14.0 percent in 1995 to 191,900 tonnes, which reflects a general increase in volumes by established liner services at the port. Breakbulk cargo bolstered by a new Far East export service increased by 44.1 percent in 1995 compared with the previous year.


Waterborne grain volumes increased by 5.4 percent in 1995 to 304,400 tonnes. Even though waterborne volumes and conveyor deliveries to the local mill were up in 1995, overall throughput at the Halifax elevator was down 2.1 percent to 467,200 tonnes. The decline was caused by a reduction in deliveries of feed grain to the domestic market because of intense competition from the railroads.

Revenue from operations grew by 12.5 percent to \$12.7 million in 1995, due mainly to increases in cargo volumes and vessel activities at the Corporation's facilities, as tariff rates remained unchanged for a fifth consecutive year. Operating expenses increased by 3.4 percent in 1995 to \$11.6 million. Salaries, wages and most other expenses declined in 1995 but the reductions were offset by a 16.9 percent increase in depreciation and maintenance expenses. The financial results demonstrate the Corporation's determination to contain operating costs while continuing to place emphasis on the maintenance and development of its facilities.

Once again we thank our customers for their business during the year and assure them of our continuing commitment to strive to provide modern, efficient facilities and a high level of service at fair and competitive rates.



Mervyn C. Russell
Chairman of the Board



David F. Bellefontaine
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1995, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Balance Sheet

as at December 31

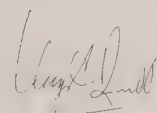
	1995	1994
Assets		
Current		
Cash	\$ 295,703	\$ 221,148
Investments (Note 3)	9,411,942	8,983,404
Accounts receivable	2,699,107	2,724,160
Grants in lieu of municipal taxes	122,623	152,875
Materials and supplies	55,518	54,294
	12,584,893	12,135,881
Accounts receivable	164,210	200,964
Property and equipment (Note 4)	56,626,424	55,171,073
	\$69,375,527	\$67,507,918
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,776,045	\$ 2,686,639
Deferred revenues	570,359	556,553
	3,346,404	3,243,192
Accrued employee benefits	666,783	664,308
	4,013,187	3,907,500
Equity		
Contributed capital	50,856,865	50,856,865
Surplus	14,505,475	12,743,553
	65,362,340	63,600,418
	\$69,375,527	\$67,507,918

Commitments (Note 5)

Contingent liabilities (Note 6)

See accompanying notes to the financial statements.

On behalf of the Board:



Mervyn C. Russell
Chairman



David F. Bellefontaine
President and Chief Executive Officer

In our opinion, these statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995, and the results of operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.



Chartered Accountants
Halifax, Nova Scotia
January 26, 1996

Statements of Earnings and Surplus

year ended December 31	1995	1994
Revenue from operations	\$12,717,037	\$11,308,049
Operating and administrative expenses	8,039,970	7,989,290
Depreciation	2,557,231	2,287,905
Grants in lieu of municipal taxes	966,685	921,932
	11,563,886	11,199,127
Earnings from operations	1,153,151	108,922
Investment income	620,087	381,644
Gain (loss) on disposal of fixed assets	(11,316)	5,295
	608,771	386,939
Net earnings	\$ 1,761,922	\$ 495,861
Surplus, beginning of year	\$12,743,553	\$12,247,692
Net earnings	1,761,922	495,861
Surplus, end of year	\$14,505,475	\$12,743,553

See accompanying notes to the financial statements.

Statement of Changes in Financial Position

year ended December 31	1995	1994
Cash derived from (applied to)		
Operating		
Net earnings	\$ 1,761,922	\$ 495,861
Depreciation	2,557,231	2,287,905
Other	13,791	(55,898)
	4,332,944	2,727,868
Change in non-cash operating working capital	336,534	211,890
	4,669,478	2,939,758
Financing		
Increase (decrease) in accounts receivable	36,754	(19,651)
(Decrease) increase in accounts payable	(140,067)	289,849
	(103,313)	270,198
Investing		
Additions to property and equipment	(4,074,189)	(1,945,765)
Proceeds on disposal of assets	11,117	7,550
	(4,063,072)	(1,938,215)
Net increase in cash and short-term investments	503,093	1,271,741
Cash and short-term investments, beginning of year	9,204,552	7,932,811
Cash and short-term investments, end of year	\$ 9,707,645	\$ 9,204,552

See accompanying notes to the financial statements.

Notes to Financial Statements

December 31, 1995

1. Local Port Corporation

In accordance with the *Canada Ports Corporation Act*, sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of Halifax to Halifax Port Corporation.

2. Summary of Significant Accounting Policies

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

	Amortized Cost	1995 Face Value	Amortized Cost	1994 Face Value
Short term	\$9,411,942	\$9,587,000	\$8,983,404	\$9,199,000

4. Property and Equipment

	Depreciation Rates	Cost	Accumulated Depreciation	1995 Net Book Value	1994 Net Book Value
Land		\$ 24,583,111	\$ —	\$24,583,111	\$24,556,740
Dredging	2.5 – 6.7%	3,930,094	2,600,882	1,329,212	902,296
Berthing structures	2.5 – 10%	35,207,544	22,021,563	13,185,981	13,775,197
Buildings	2.5 – 10%	20,313,839	13,190,103	7,123,736	6,588,010
Utilities	3.3 – 10%	7,826,888	3,672,426	4,154,462	3,327,633
Roads and surfaces	2.5 – 10%	9,670,632	6,920,665	2,749,967	2,572,334
Machinery and equipment	5 – 100%	10,554,814	7,746,659	2,808,155	2,802,404
Office furniture and equipment	20%	1,519,509	1,294,907	224,602	202,341
Projects under construction		467,198	—	467,198	444,118
		\$114,073,629	\$57,447,205	\$56,626,424	\$55,171,073

5. Commitments

In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation is required to pay a dividend, in respect of the 1995 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1996 amounts to approximately \$178,500 for 1995 and will be applied against surplus.

6. Contingent Liabilities

The Corporation has been named as one of the defendants in a lawsuit for damages for which the plaintiff has quantified an amount of approximately \$2 million. In the opinion of management this claim is without merit and therefore no provision has been made in the accounts.

7. Marine Policy Review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*.

At this time, the impact upon the Corporation is not known.

BOARD OF DIRECTORS

Mervyn C. Russell ^{1/3}

Chairman

President, Maritime Broadcasting System Ltd.

Halifax, Nova Scotia

David I. Jones, Q.C. ^{1/4}

Vice-Chairman

Partner, Huestis Holm

Dartmouth, Nova Scotia

Linda M. Brennan ^{2/4}

Business Administrator and School Board Member

Dartmouth, Nova Scotia

George H. Briand ²

Halifax Longshoremen's Association

I.L.A. Local 269

Halifax, Nova Scotia

Edward D. Kirby ²

Retired Police Officer

Sackville, Nova Scotia

Graham L. Thomas ⁴

President, Graham Thomas Agencies Ltd.

Halifax, Nova Scotia

Robert A. Wilson ^{1/2/3/4}

Life Insurance Broker

Bedford, Nova Scotia

¹*Executive Committee*

²*Audit Committee*

³*Human Resources and Compensation Committee*

⁴*Priorities and Planning Committee*

OFFICERS OF THE CORPORATION

Mervyn C. Russell

Chairman

David I. Jones, Q.C.

Vice-Chairman

David F. Bellefontaine

President and Chief Executive Officer

Lorraine E. Brenton

Corporate Secretary

Dennis W. Creamer

Vice-President, Finance and Real Property

Patricia McDermott

Vice-President, Marketing

Lawrence A. Freeman

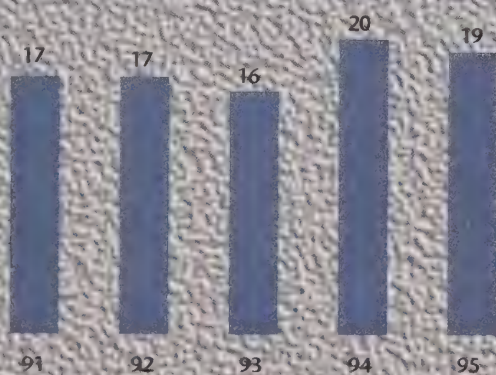
Chief Legal Officer



MONTRÉAL PORT CORPORATION

1 9 9 5

TOTAL TRAFFIC (million tonnes)

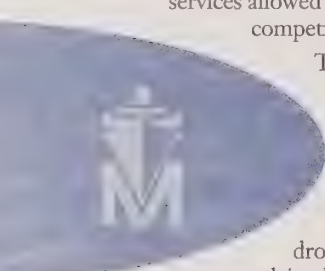


Joint Message from the Chairman of the Board and the President and Chief Executive Officer

The year 1995 was a satisfying one for the Port of Montréal despite a labour dispute between the Maritime Employers Association (MEA) and the longshoremen's and checkers' union that paralyzed activity on the docks for 16 days in March.

This labour dispute and the one involving the railway industry were costly for everyone involved in port activity, but the results from 1995 were generally positive for the following reasons:

- Containerized general cargo traffic increased, albeit slightly, to set a new record;
- Bulk traffic (excluding grain and petroleum products) increased sharply;
- The Montréal Port Corporation recorded a net profit for a 16th consecutive year;
- The agreement between the MEA and the longshoremen's and checkers' union, the Montréal Port Corporation's fourth tariff freeze, and improvements in cargo-handling and transportation services allowed the Port of Montréal to remain very competitive.



Total traffic through the Port of Montréal amounted to 19.2 million tonnes in 1995, a decrease of 4.3 percent compared with the 20.1 million tonnes handled the previous year. The work stoppage last March cost the port at the very least half-a-million tonnes of cargo, but it was the drop in petroleum products alone that explained the decrease in total traffic.

Petroleum products traffic fell by more than 1.3 million tonnes or 22.9 percent to total 4.5 million tonnes in 1995. The drop was solely attributable to a marked decrease in consumption of petroleum products in the Greater Montréal area.

Various dry and liquid bulks increased by 1.1 million tonnes or 24.9 percent to reach 5.4 million tonnes in 1995. Inbound movements of iron ore, as well as hydrocarbons other than fuel, were the main contributors to the increase. This traffic category does not include grain, which decreased by 300,000 tonnes, or petroleum products.

After a spectacular increase of 1.2 million tonnes in 1994, containerized general cargo traffic grew by one percent or about 70,000 tonnes to total 7.1 million tonnes in 1995. The gain was slight, but it was enough to set another record.

Nevertheless, the work stoppage on the docks last March clearly prevented containerized cargo traffic from fully benefiting from the strength of the market and recording an even greater increase.

Non-containerized general cargo traffic totalled some 600,000 tonnes in 1995, compared with about 900,000 tonnes the previous year. The drop is explained by the decrease in steel imports into North America, the loss of at least 100,000 tonnes of cargo attributable to the work stoppage last March, and increased competition from U.S. eastern seaboard ports.

As of December 31, 1995, the Montréal Port Corporation reported net earnings for a 16th consecutive year and a 13th financial year since it became a local port corporation in 1983. These net earnings reached \$9.3 million, compared with \$8.7 million in 1994. They comprise earnings from operations of \$2.2 million, investment revenue of \$5.8 million, and the net contribution of \$1.3 million from unusual items including an adjustment of grants in lieu of municipal taxes from a previous year.

The Corporation's operating and administrative expenses totalled \$52.4 million in 1995, an increase of only 1.9 percent compared with the previous year.

Over the last 10 years, the Corporation's operating and administrative expenses increased by about only three percent. These expenses decreased when compared to inflation in Canada which exceeded 33 percent over the same period. We have made cost control one of our top priorities.

In 1996, our clients will benefit from a freeze of all our general tariffs for a fourth consecutive year. We have also improved our program to stimulate containerized cargo traffic. With these measures, wharfage charges on containerized cargo on average will be 35 cents less per tonne in 1996 than they were in 1985. The Corporation will also give rebates to stimulate traffic in other cargo categories.

The Montréal Port Corporation continues to multiply its efforts to stimulate port activity. We are constantly improving and expanding our facilities to satisfy our clients' needs. In the context of fierce competition, we have taken initiatives to close the ranks among all those involved in port activity. Shipping lines, railways, trucking companies, terminal operators and stevedores, longshoremen and everyone else involved in port activity, including our own employees, are working closely together to offer even faster and more reliable and efficient door-to-door transportation services at highly-competitive prices.

Last December, we also entered into a partnership with the MEA for the creation of a training centre for longshoremen. We are investing more than \$1 million in the project, which includes the acquisition and installation of a high-tech simulator for dockside gantry cranes and other handling equipment.

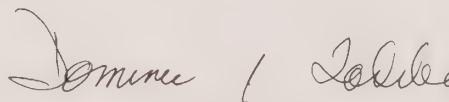
Continuously proactive, we are not only looking to enhance the advantages of the Port of Montréal, but we are promoting them even further by intensifying our marketing, information, promotional and advertising efforts.

We are pleased and proud to inform the shareholder that the Corporation again succeeded in ensuring its financial self-sufficiency and providing its clients with improved facilities and services at competitive prices by controlling its costs, improving administration at all levels, and making even more use of computers and information technology — doing more and better with less. We have been able to accomplish this thanks to our employees, to whom we extend our sincere gratitude.

We would also like to express our deepest thanks to everyone else involved in port activity in Montréal.



Raymond Lemay
Chairman of the Board



Dominic J. Taddeo
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1995 and the statements of earnings, contributed capital and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have been, in all significant respects, in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and bylaws of the Corporation.

Samson Bilau
Debré & Tancré

Chartered Accountants

February 2, 1996

Montréal, Quebec

Balance Sheet

as at December 31, 1995

	1995	1994
	<i>(in thousands of dollars)</i>	
Current assets		
Cash	\$ 291	\$ 166
Short-term investments (Note 3)	42,350	35,126
Accounts receivable	12,988	11,831
Materials and supplies	686	738
	56,315	47,861
Long-term investments (Note 3)	27,209	27,595
Fixed assets (Note 4)	159,155	158,719
Deferred costs	567	601
Other assets	528	587
	\$243,774	\$ 235,363
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 10,913	\$ 8,951
Grants in lieu of municipal taxes	3,260	3,966
	14,173	12,917
Accrued employee benefits	4,789	4,067
Loans from the Government of Canada (Note 6)	2,903	3,525
	21,865	20,509
Equity of the Government of Canada		
Contributed capital	153,919	153,919
Retained earnings	67,990	60,935
	221,909	214,854
	\$243,774	\$235,363

Approved by the Board:

Raymond Lemay

Raymond Lemay
Chairman

Dominic J. Taddeo

Dominic J. Taddeo
President and Chief Executive Officer

Statement of Earnings

year ended December 31, 1995

	1995	1994
	<i>(in thousands of dollars)</i>	
Revenue from operations	\$ 54,584	\$ 56,906
Operating and administrative expenses	35,443	34,362
Depreciation of fixed assets	10,903	10,310
Grants in lieu of municipal taxes	6,033	6,769
	52,379	51,441
Earnings from operations	2,205	5,465
Investment revenue	5,803	4,630
Earnings before the following items	8,008	10,095
Write-off of fixed assets	—	(1,418)
Prior year adjustment of the grants in lieu of municipal taxes	1,900	—
Disposal of transformers	(600)	—
Net earnings	\$ 9,308	\$ 8,677

Statement of Contributed Capital and Retained Earnings

year ended December 31, 1995

	1995	1994
	<i>(in thousands of dollars)</i>	
Contributed capital		
Balance, beginning and end of year	\$153,919	\$153,919
Retained earnings		
Balance, beginning of year	\$ 60,935	\$ 55,366
Net earnings	9,308	8,677
Dividends	(2,253)	(3,108)
Balance, end of year	\$ 67,990	\$ 60,935

Statement of Changes in Financial Position

year ended December 31, 1995

	1995	1994
	<i>(in thousands of dollars)</i>	
Operating activities		
Net earnings	\$ 9,308	\$ 8,677
Items not affecting cash		
Depreciation of fixed assets	10,903	10,310
Amortization of deferred costs	34	35
Loss (gain) on disposal of fixed assets	415	(15)
Increase (decrease) in accrued employee benefits	722	(272)
Write-off of fixed assets	—	1,418
	21,382	20,153
Changes in non-cash operating working capital items (Note 7)	115	3,914
	21,497	24,067
Financing activities		
Repayment of current portion of loans from the Government of Canada	(586)	(551)
Dividends paid	(2,253)	(3,108)
	(2,839)	(3,659)
Investing activities		
Decrease (increase) in long-term investments	386	(139)
Acquisition of fixed assets	(11,760)	(8,091)
Disposal of fixed assets	6	30
Decrease in other assets	59	803
	(11,309)	(7,397)
Net cash inflow	7,349	13,011
Cash position, beginning of year	35,292	22,281
Cash position, end of year	\$42,641	\$35,292
Represented by		
Cash	\$ 291	\$ 166
Short-term investments	42,350	35,126
	\$42,641	\$35,292

Notes to Financial Statements

year ended December 31, 1995

(tabular amounts only are in thousands of dollars)

1. Status and Nature of Activities

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same *Act*, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs

Deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. Investments

Funds are invested in direct and guaranteed securities of the Government of Canada. As at December 31, 1995, the market value of short-term investments is equivalent to their amortized cost, and the market value of long-term investments is \$33,234,472 (\$30,592,517 in 1994).

4. Fixed Assets

	Depreciation rates	Cost	Accumulated depreciation	1995 Net book value	1994 Net book value
Land	—	\$ 50,721	\$ —	\$ 50,721	\$ 50,312
Dredging	2.5% – 10.0%	16,178	14,359	1,819	2,104
Berthing structures	2.5% – 10.0%	63,408	46,784	16,624	16,433
Buildings	2.5% – 10.0%	69,381	40,114	29,267	30,753
Utilities	3.3% – 10.0%	20,689	12,139	8,550	8,459
Roads and surface	2.5% – 10.0%	76,127	34,933	41,194	38,969
Machinery and equipment	5.0% – 33.3%	62,974	55,245	7,729	9,486
Office furniture and equipment	20.0% – 33.3%	9,111	6,654	2,457	1,798
		368,589	210,228	158,361	158,314
Projects under construction		794	—	794	405
		\$ 369,383	\$ 210,228	\$ 159,155	\$ 158,719

5. Accounts Payable and Accrued Liabilities

	1995	1994
Current portion of loans from the Government of Canada	\$ 622	\$ 586
Deferred revenue	931	334
Other	9,360	8,031
	\$ 10,913	\$ 8,951

6. Loans from the Government of Canada

	1995	1994
Loans, 6.25%, payable to 2000 in annual instalments of \$842,561 including interest	\$ 3,525	\$ 4,111
Current portion	622	586
	\$ 2,903	\$ 3,525

Principal repayment requirements over the next five years are as follows:

1996	\$622,238
1997	661,128
1998	702,449
1999	746,352
2000	792,999

7. Changes in Non-Cash Operating Working Capital Items

	1995	1994
Accounts receivable	\$ (1,157)	\$ (158)
Materials and supplies	52	43
Accounts payable and accrued liabilities, net of current portion of loans from the Government of Canada	1,926	1,935
Grants in lieu of municipal taxes	(706)	2,094
	\$ 115	\$ 3,914

8. Contingencies

Claims aggregating approximately \$2,900,000 in respect of lawsuits and guarantees related to the Corporation's property have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. Commitments

- a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at \$1,105,000.
- b) In accordance with a policy concerning payment of dividends to the Canadian Government, the Corporation would be required to pay a dividend, in respect of the 1995 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1996, would amount to approximately \$2,442,349 for 1995 and would be applied against retained earnings.

10. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including Canada and its agencies and other Crown corporations.

The Corporation derives revenue from related parties principally from grain warehousing, switching charges, rental revenue and management fees. The expenses paid to related parties are principally administration fees.

BOARD OF DIRECTORS

Raymond Lemay*

Chairman

Executive Vice-President

Québecor inc.

Montréal, Quebec

Yvon Lamarre*

Vice-Chairman

Principal Advisor

SNC Lavalin inc.

Montréal, Quebec

Roger Bishop

Longshoremen's Union

CUPE/Local 375

Brossard, Quebec

Sam L. Elkas

Vice-President, Sales

La Cie de caoutchouc industriel Associated Ltée

Montréal, Quebec

Raphaël Esposito*

Notary

Esposito & associés, notaires

Montréal, Quebec

Yvon Labrosse

Mayor, Town of Montréal-East

Montréal-East, Quebec

Louise Robic

Roxboro, Quebec

** Member, Executive Committee*

OFFICERS OF THE CORPORATION

Raymond Lemay

Chairman

Dominic J. Taddeo

President and Chief Executive Officer

Roger Dubé

Vice-President, Administration

Normand Fillion

Vice-President, Marketing

Michel L. Lesage, Eng.

Vice-President, Operations

Sylvie Vachon

Vice-President, Human Resources

Jean Mongeau, Notary

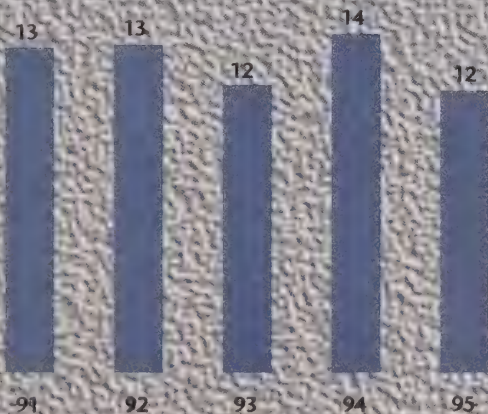
Corporate Secretary



PRINCE RUPERT PORT C O R P O R A T I O N

1 9 9 5

TOTAL TRAFFIC (million tonnes)



Joint Message from the Chairman of the Board and the President and Chief Executive Officer

The Prince Rupert Port Corporation is pleased to report on its activities and results for its fiscal year ending December 31, 1995.

The port's long-term vision is one of both exceptional opportunity and adverse threats for the Corporation. This has resulted in a year of extensive activity to bring about these opportunities while maintaining cost effective operations to ensure the port's continued financial self-sufficiency.

Perhaps the most significant event for the port in 1995 was the announcement of the planned implementation of several of the recommendations stemming from the Marine Policy Review. Among the various recommendations, the 1996 planned transition from a federal Crown Corporation to a Canada Port Authority will no doubt continue in significance for Prince Rupert throughout the upcoming year.

Another very significant event for the port in 1995 was the elimination of the *Western Grain Transportation Act* subsidies for the shipment of grain effective August 1. This has resulted in the loss of west coast port parity and now the Port of Prince Rupert has the unfortunate distinction, based on existing pricing structures, of being

perceived as the higher cost Canadian route for the export of west coast grain. However, it is important to note that, when actual costs are factored in, this is not a true perception.

Promoting the inherent problems of the existing pricing structures as well as the many other economic advantages of Prince Rupert will continue to remain the focus of many of the port's marketing and public communications initiatives in the upcoming years.

The port's business development activity increased dramatically in 1995 which reflects the port's efforts to fulfill its long-term vision.

During the year the Corporation worked on more business development files than ever before and demand for port property continues to rise. The commercial fishing industry outlook for Prince Rupert continues to have many positive aspects for the port despite the struggles associated with this industry's transformation. Demand for port dock space is high as many independent seafood companies compete for space to off-load and value add their products for shipping to more populous areas of Canada and Continental USA. As a result of this demand for dock space, the port successfully leased out the remainder of Ocean Dock and Westview Terminal (the government grain elevator) in the port's inner harbour.

Throughout the year, discussions continued with a mining concentrate shipper who is in the process of developing the first new mine in B.C. in nearly 15 years. This new mine, which will be located just south of Houston, is expected to export in excess of 60,000 tonnes of copper concentrate annually.

Another promising activity for the port is the continuation of marketing and engineering efforts toward the realization of a liquid bulk terminal at Prince Rupert. During the year, several different business opportunities for liquid bulk terminal development had been under discussion and investigation. The market opportunities for these various products is favourable to a Prince Rupert location and the port is confident that one or more of these projects will be realized in the near future. Toward the end of 1995, demand for property on Ridley Island surged as many of these liquid bulk shippers sought to secure a location in order to complete feasibility work connected with their respective projects.

The port has also made progress at increasing pulp traffic over Fairview Terminal. During the year, the terminal operator at Fairview handled two test pulp shipments for two different pulp shippers, who do not currently export pulp through the Port of Prince Rupert. The

port remains extremely optimistic about its potential to handle increased pulp shipments in the near future.

Throughput at the Port of Prince Rupert in 1995 totalled 11.5 million tonnes. This represents a decrease of 17.6 percent from the port's all-time record high year of 1994. This drop in volume is attributable primarily to a decrease in coal and grain throughput.

On a more positive note, forest products traffic was one of the bright spots in traffic in 1995. Lumber shipments increased 20 percent over 1994 to 345,000 tonnes. The port and its forest products terminal operator continue to aggressively market this facility.

Pulp traffic handled at the port's own facilities was also another bright spot in 1995. These shipments were up 42 percent over 1994 levels to 59,000 tonnes.

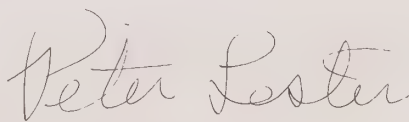
The year 1995 was a very dramatic year for west coast grain shipments. Not only were the port's volumes off 22 percent from 1994's record breaking banner year of 5.5 million tonnes, but 1995 was also the year in which Prince Rupert lost its port parity with the end of the Crow rate subsidy.

Ferry and cruise passenger traffic through the Port of Prince Rupert was up just over one percent to 187,000 passengers. This includes passengers travelling to Alaska on the Alaska Marine Highway System ferry and passengers within British Columbia travelling between Port Hardy, on the northern tip of Vancouver Island, and the northern terminus of Prince Rupert.

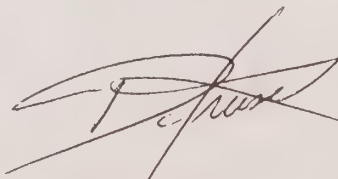
The financial results of the Corporation show operating revenues of \$12.6 million which is a marginal increase of one percent from the prior year. Earnings from operations were \$1.2 million which represents a decrease of \$622,000 from 1994. Net income totalled \$657,000.

In accordance with statutory obligations, the Prince Rupert Port Corporation wishes to advise our shareholder, the Government of Canada, that the port has made significant progress in achieving its objectives during 1995, and that necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

The board and staff of the Prince Rupert Port Corporation would like to thank everyone involved in port activities in Prince Rupert for their commitment and hard work during the year. The port's vision as a major player in the shipping community can only be realized with the continued dedication and co-operation of all the players on the waterfront.



Peter Lester
Chairman of the Board



Donald H. Krusel
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1995 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

KPMG Peat Marwick Home

Chartered Accountants
New Westminster, British Columbia
January 26, 1996

Balance Sheet

December 31, 1995	1995	1994
Assets		
Current assets:		
Cash	\$ 37,538	\$ 371,096
Investments (note 2)	13,894,726	11,768,675
Accounts receivable	1,486,888	1,695,931
Materials and supplies	135,661	168,210
	15,554,813	14,003,912
Capital assets (note 3)	96,174,864	97,642,791
	\$111,729,677	\$111,646,703
Liabilities and Equity of Canada		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 303,368	\$ 431,407
Grants in lieu of municipal taxes	791,682	841,580
Deferred revenues	289,932	213,498
Principal due within one year on loans from Canada	489,724	444,255
	1,874,706	1,930,740
Loans from Canada (note 4)	14,844,753	15,334,477
Equity of Canada:		
Contributed capital	79,611,805	79,611,805
Surplus	15,398,413	14,769,681
	95,010,218	94,381,486
	\$111,729,677	\$111,646,703

Commitments (note 5)

See accompanying notes to financial statements.

Approved by the Board:

Peter Lester

Peter Lester
Chairman

Donald H. Krusel

Donald H. Krusel
President and Chief Executive Officer

Statement of Earnings and Surplus

year ended December 31, 1995

	1995	1994
Revenue from operations	\$12,643,829	\$12,521,810
Expenses:		
Contractual services	5,031,951	4,308,559
Operating and administrative	3,141,048	3,268,048
Amortization	2,385,465	2,443,586
Grants in lieu of municipal taxes	844,120	638,184
	11,402,584	10,658,377
Earnings from operations	1,241,245	1,863,433
Other earnings (expense):		
Interest	1,033,356	668,508
Interest expense	(1,617,983)	(1,659,293)
	(584,627)	(990,785)
Net earnings	656,618	872,648
Surplus, beginning of year	14,769,681	13,897,033
	15,426,299	14,769,681
Dividend to Canada	27,886	—
Surplus, end of year	\$15,398,413	\$14,769,681

See accompanying notes to financial statements.

Statement of Changes in Financial Position

year ended December 31, 1995

	1995	1994
Cash provided by (used in):		
Operations:		
Net earnings	\$ 656,618	\$ 872,648
Items not involving cash:		
Amortization	2,385,465	2,443,586
Changes in non-cash operating working capital	140,089	(1,159,005)
	3,182,172	2,157,229
Financing:		
Decrease in loans from Canada	(444,255)	(403,010)
Dividend to Canada	(27,886)	—
	(472,141)	(403,010)
Investment:		
Purchase of capital assets	(917,538)	(1,479,280)
Proceeds on disposal of capital assets	—	35,000
Reimbursement of capital asset costs	—	900,000
	(917,538)	(544,280)
Increase in cash position	1,792,493	1,209,939
Cash position, beginning of year	12,139,771	10,929,832
Cash position, end of year	\$13,932,264	\$12,139,771
Cash position is defined as:		
Cash	\$ 37,538	\$ 371,096
Investments	13,894,726	11,768,675
Cash position	\$13,932,264	\$12,139,771

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 1995, with comparative figures for 1994

Local Port Corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. Significant Accounting Policies

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Capital assets

Capital assets are recorded at cost. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related property and equipment.

Amortization is calculated on the straight-line basis on the cost less any grant received, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5 %
Berthing structures	2.5% – 10%
Buildings	5% – 10%
Roads and surfaces	3.3% – 10%
Utilities	5% – 10%
Machinery and equipment	5% – 100%
Office furniture and equipment	20 % – 33.3%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. Investments

	1995	1994
Amortized cost	\$13,894,726	\$11,768,675
Market value	\$13,895,453	\$11,768,565

3. Capital Assets

	Cost	Accumulated Amortization	1995 Net	1994 Net
Land	\$ 63,748,741	\$ —	\$63,748,741	\$63,199,197
Dredging	332,187	89,624	242,563	259,366
Berthing structures	36,361,994	10,525,038	25,836,956	26,860,115
Buildings	5,631,495	2,161,909	3,469,586	4,403,375
Roads and surfaces	7,183,357	4,913,761	2,269,596	2,051,373
Utilities	2,610,896	2,353,920	256,976	396,042
Machinery and equipment	2,380,785	2,207,031	173,754	343,213
Office furniture and equipment	404,759	308,807	95,952	94,597
Construction in progress	80,740	—	80,740	35,513
	\$118,734,954	\$22,560,090	\$96,174,864	\$97,642,791

4. Loans from Canada

	1995	1994
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	\$15,334,477	\$15,778,732
Less principal included in current liabilities	489,724	444,255
	\$14,844,753	\$15,334,477

Principal payment requirements over the next five years are approximately as follows:

1996	\$ 490,000
1997	540,000
1998	595,000
1999	656,000
2000	723,000
	\$ 3,004,000

5. Commitments

The Corporation rents its premises under an operating lease which expires April 30, 1997. The future rent payable to the expiry date is approximately as follows:

1996	\$ 74,000
1997	25,000
	\$ 99,000

6. Related Party Transactions

- (a) During the year, the Corporation recorded lease revenue of \$1,802,973 (1994 — \$2,049,976) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1995, accounts receivable included \$380,939 (1994 — \$360,155) from Ridley Terminals Inc.
- (b) During the year, the Corporation paid \$603,566 (1994 — \$694,566) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1995, accounts payable included \$0 (1994 — \$91,836) to Canada Ports Corporation.

BOARD OF DIRECTORS

Peter Lester *

Chairman

Business Manager

Prince Rupert, British Columbia

Rhoda Witherly *

Vice Chairperson

Business Manager

Prince Rupert, British Columbia

Penny Denton **

Critical Care, R.N.

Prince Rupert, British Columbia

Douglas E. Moore **

Customs Broker/Shipping Agent

Prince Rupert, British Columbia

John D. McNish **

President, Credit Bureau of Prince Rupert

Prince Rupert, British Columbia

Michael J. Tarr *

President and Chief Executive Officer

Northern Savings Credit Union

Prince Rupert, British Columbia

** Member, Executive Committee*

*** Member, Audit Committee*

OFFICERS OF THE CORPORATION

Peter Lester

Chairman

Rhoda Witherly

Vice Chairperson

Donald H. Krusel

President and Chief Executive Officer

Donald A. Silversides, Q.C.

Chief Legal Officer

David G. Shearer

Vice President, Business Development and Technical Services

Joseph Rektor

Vice President, Finance and Operations

Heather McLean

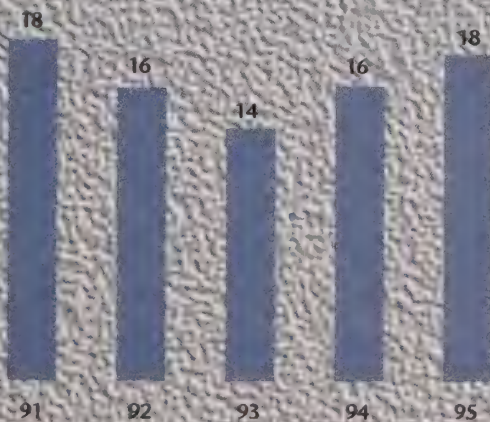
Corporate Secretary



PORT OF QUÉBEC CORPORATION

1 9 9 5

TOTAL TRAFFIC (million tonnes)



Joint Message from the Chairman of the Board and the President and Chief Executive Officer

After an eventful year, it is a pleasure for the Port of Québec Corporation to present its annual report on the fiscal year ending December 31, 1995. During the year, the port experienced an increase in total tonnage and a considerable improvement in its profitability. Moreover, the Corporation maintained strict control on expenses and pursued its objective of income diversification. Because of rationalization efforts achieved during the past years, the port has positioned itself strategically to take up the maritime challenges in 1996 as a Canada Port Authority.

The year was positive for the Port of Québec Corporation and for the region. Following the tentative recovery started in 1994, the Corporation, along with its clients and business partners, performed well during the year despite a particularly troubled economic and political environment.

In 1995, total tonnage handled at the port increased by 10.5 percent from 1994, reaching 17,755,900 tonnes, the highest volume since 1991. Dry bulk contributed a great deal to this increase.

Grain volumes increased by 25 percent, reaching 3.7 million tonnes. However, a critical situation still exists with the movement of grain on the St. Lawrence. The emergence of Asian markets and the financial problems of Russia, the port's traditional client, continue to impact on shipments of grain, while the benefits from the World Trade Organization's agreements still have not been realized. Grain handling continues to be an important source of income for the Corporation.

Mineral concentrates have also shown strong growth in 1995. Close to 1.9 million tonnes were transhipped via the dry bulk terminal located in the Beauport area, an increase of 32 percent compared with 1994. This tonnage increase is partly due to the strength and reliability of the St. Lawrence system even though it faces strong competition from the Mississippi River.

This year will be remembered as a record year for the shipment of scrap metal with more than 236,797 tonnes exported, an increase of about 26 percent compared to 1994. The Port of Québec handles more scrap metal than any other port on the St. Lawrence River and in eastern Canada.

American low-sulfur coal was shipped to Spain through the Port of Québec because of the efforts of the port and its maritime partners. This cargo is usually shipped through the Mississippi system but the Port of Québec offers excellent port facilities and many geographical advantages for this important commodity.

Total liquid bulk tonnage in 1995 is almost equal to 1994, at 10.9 million tonnes. Ultramar refinery wharves handled 10.4 million tonnes of petroleum products showing that the port is the center for liquid bulk transshipments in eastern Canada. Chemical products handled at IMTT-Québec terminal registered a strong increase of about 90 percent, reaching 81,821 tonnes.

The total number of cruise ship passengers to visit the port in 1995 was 38,991, a seven percent increase from the previous year. In 1995, the cruise season was once again extended and ships visiting the Port of Québec stayed for a longer time. The Corporation looks forward to profiting from this industry once the rules governing casino operations on the St. Lawrence are amended.

On a less positive note, total general cargo handled reached its lowest level since 1987 at 290,536 tonnes. This total included 112,428 tonnes of forest products and 102,737 tonnes of mineral products. After having reached 650,000 tonnes in 1992, many important commodities, such as lumber, have left the Port of Québec for regional ports which have a less restrictive operating framework.

However, the Corporation is pleased with the decision taken by the Canada Labour Relations Board in December 1995, that will see control of the maritime employer's representation return to a local authority, the Société des arrimeurs de Québec. It is expected that this new work environment will be better suited to the Québec market and will enable the port, the longshoremen, as well as the stevedores, to win back some of the cargo lost over the years.

During 1995, operating revenues totalled \$12.3 million compared to \$11.4 million in 1994, an increase of 7.9 percent. Operating expenses decreased by 7.6 percent, reaching \$12.1 million compared to \$13.1 million in the previous year.

In 1995, operating income was \$163,000 compared to an operating loss of \$1,660,000 in 1994. Net income reached \$35,000 compared to a net loss of \$1,987,000 for the previous year.

The great challenge for the Port of Québec during the next months and years will be determining the role it intends to play in the regional and national economy. In 1996, the Corporation will keep a close watch on the restoration of its port assets. The growth in business for the Port of Québec will be directly linked to the health of the port administration. The cash withdrawal of \$33 million from the Corporation's reserve fund by the federal government between 1986 and 1991 left the port in a weaker position to invest in the restoration of its assets.


During 1995, the Port of Québec Corporation took part in many national consultations aimed at redefining the Canadian port and maritime system. In 1996, the Corporation will also be facing many administrative and commercial challenges, including dredging costs, charges associated with the implementation of the Coast Guard's Cost Recovery Program, the new National Marine Policy, relations between longshoremen and stevedores and regional cooperation regarding port activities.

All those challenges will have to be taken up by the Corporation, its partners and clients. That is why the port must continue to develop synergy between industry partners involved in maritime and port activities in order to deliver the economic benefits for the region. The continuing partnership between all stakeholders is essential to the Port of Québec's future development.

Once again, board members, management and employees of the Port of Québec Corporation wish to thank all those who took an active part in the maritime and development of the port and its region. Due to its attractive location, undeniable strategic benefits and dynamism of its partners, the Port of Québec has everything it needs to safeguard the historic maritime role of the region and to continue to be job-generating and an important economic growth center for decades to come.



René Paquet
Chairman of the Board



Ross Gaudreault
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1995 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

Malléte Mahé

Chartered Accountants

Québec City, Quebec

January 31, 1996

Balance Sheet

as at December 31

	1995	1994
Assets		
Current assets		
Cash	\$ 395,523	\$ 348,488
Short-term investments (Note 3)	1,495,144	1,807,174
Accounts receivable	2,219,736	1,813,231
Materials and supplies	155,994	157,632
	4,266,397	4,126,525
Investments (Note 3)	4,678,047	2,485,531
Fixed assets (Note 4)	52,612,423	55,236,881
	\$ 61,556,867	\$61,848,937
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,054,038	\$ 1,179,829
Grants-in-lieu of municipal taxes	174,003	81,917
Deferred revenues	887,627	916,646
Current portion of long-term debt	174,838	161,577
	2,290,506	2,339,969
Long-term debt		
Accrued employee benefits	815,000	918,000
Loans from Interport Loan Fund (Note 5)	6,142,699	6,317,537
	6,957,699	7,235,537
	9,248,205	9,575,506
Equity of Canada		
Contributed capital	51,852,198	51,852,198
Surplus	456,464	421,233
	52,308,662	52,273,431
	\$ 61,556,867	\$61,848,937

Contingencies (Note 8)

On behalf of the Board:

René Paquet

René Paquet
Chairman

Ross Gaudreault

Ross Gaudreault
President and Chief Executive Officer

Earnings and Surplus

year ended December 31	1995	1994
Revenue from operations	\$12,282,871	\$11,449,579
Expenses		
Operating and administrative	7,884,154	8,556,699
Grants-in-lieu of municipal taxes	1,269,404	1,339,211
	9,153,558	9,895,910
Earnings before depreciation and financial expenses	3,129,313	1,553,669
Depreciation of fixed assets	2,966,118	3,213,949
Earnings (loss) before financial expenses	163,195	(1,660,280)
Financial expenses		
Interest expense	531,775	544,028
Investment income	(403,811)	(216,875)
	127,964	327,153
Earnings (loss) for the year	35,231	(1,987,433)
Surplus at beginning of year	421,233	2,408,666
Surplus at end of year	\$ 456,464	\$ 421,233

Changes in Financial Position

year ended December 31	1995	1994
Operating activities		
Earnings (loss) for the year	\$ 35,231	\$ (1,987,433)
Operating items not involving cash:		
Depreciation of fixed assets	2,966,118	3,213,949
Accrued employee benefits	(103,000)	(124,000)
Other	(36,271)	(6,474)
	2,862,078	1,096,042
Net change in non-cash components of working capital	(356,239)	262,721
Net funds from operations	2,505,839	1,358,763
Financing activities		
Reimbursement of loans from Interport Loan Fund	(161,577)	(149,324)
Net funds used for financing	(161,577)	(149,324)
Investing activities		
Long-term investments	(2,178,250)	(2,480,324)
Additions to fixed assets	(453,012)	(500,177)
Proceeds from disposal of fixed assets	22,005	2,707
Net funds used for investment	(2,609,257)	(2,977,794)
Decrease in cash position	(264,995)	(1,768,355)
Cash position at beginning of year	2,155,662	3,924,017
Cash position at end of year	\$ 1,890,667	\$ 2,155,662

Cash position consists of cash and short-term investments.

Notes to Financial Statements

December 31, 1995

1. Statutes of Incorporation

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

2. Significant Accounting

Investments

Investments, which are guaranteed Securities of Canada, are shown at amortized cost whereby premiums and discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5% – 6.7%
Berthing structures	2.5% – 10%
Buildings	2.5% – 10%
Utilities	3.3% – 10%
Roads and surfaces	2.5% – 10%
Machinery and equipment	5% – 20%
Office furniture and equipment	20%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants-in-lieu of municipal taxes

Grants-in-lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

3. Investments

Short-term investments of \$1,495,144 consist of guaranteed Securities of Canada and as at December 31, 1995, their market value is \$1,505,690.

Long-term investments of \$4,678,047 consist of Canada bonds and as at December 31, 1995, their market value is \$4,894,495.

4. Fixed Assets

	Cost	Accumulated Depreciation	1995 Net Book Value	1994 Net Book Value
Land	\$ 11,155,836	\$ —	\$11,155,836	\$11,155,836
Dredging	4,561,342	4,147,734	413,608	441,669
Berthing structures	24,123,102	19,790,214	4,332,888	4,779,751
Buildings	42,306,153	21,994,235	20,311,918	21,472,085
Utilities	19,955,172	7,006,021	12,949,151	13,825,237
Roads and surfaces	6,418,566	5,214,536	1,204,030	1,283,571
Machinery and equipment	1,049,827	747,064	302,763	370,311
Office furniture and equipment	1,675,599	1,614,813	60,786	53,968
Projects in progress	1,881,443	—	1,881,443	1,854,453
	\$113,127,040	\$60,514,617	\$52,612,423	\$55,236,881

5. Loans From Interport Loan Fund

	1995	1994
Loans bearing interest		
8.5% and 8.73%, payable in annual installments of \$372,512 including interest, maturing in 2012	\$3,266,328	\$3,350,723
8.07% and 7.54%, payable in annual installments of \$320,839 including interest, maturing in 2013	3,051,209	3,128,391
	6,317,537	6,479,114
Current portion of long-term debt	174,838	161,577
	\$6,142,699	\$6,317,537

The aggregate maturities of long-term debt for the five following years are:

1996	\$174,838
1997	\$189,192
1998	\$204,727
1999	\$221,542
2000	\$239,742

6. Related Party Transactions

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown Corporations.

Principally, the Corporation earned rental revenues of \$702,000 (1994 — \$752,000) from related entities. The expenses paid to related parties mainly consist in reimbursements of \$529,000 (1994 — \$814,000) to Canada Ports Corporation as its share of the Corporation's head office expenses.

The Corporation has accounts payable of \$229,000 (1994 — \$491,000) and accounts receivable of \$118,000 (1994 — \$120,000) with the same related parties.

7. Contingencies

Claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

8. Transportation System Review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*.

At this time, the impact upon the Corporation is not known, but it is not expected to have a significant impact on operations.

BOARD OF DIRECTORS

René Paquet *

Chairman

Langlois Robert, s.e.n.c.

Lawyers

Québec, Quebec

Jean-Paul Morency */**

Vice-Chairman

Québec, Quebec

Margo Brousseau ***

Lawyer

Sainte-Foy, Quebec

Yvon Dolbec */***

Dolbec Y. Logistique Int'l inc.

Vanier, Quebec

William Keays ***

Groupe Conseil Gesco

St-Jean-Chrysostome, Quebec

**Member, Executive Committee*

***Président, Port Clients Committee*

****Member, Audit Committee*

OFFICERS OF THE CORPORATION

Ross Gaudreault

President and Chief Executive Officer

Mario Bernard

Vice President, Finance

Yvon Bureau

Vice President, Operations

Alexis Ségal

Vice President, Marketing

Richard Hughes

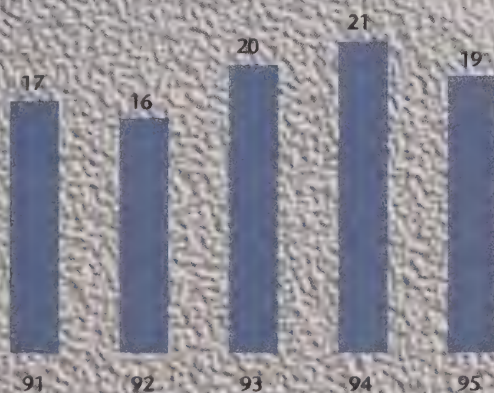
Acting Director, Police



SAINT JOHN PORT C O R P O R A T I O N

1 9 9 5

TOTAL TRAFFIC *(million tonnes)*



Joint Message from the Chairman of the Board and the General Manager and Chief Executive Officer

We are pleased to present the annual report of the Saint John Port Corporation for the year 1995. Throughout the year, the Corporation made important progress in achieving corporate objectives and building on the position of the Port of Saint John as a major transportation centre in Atlantic Canada.

Total traffic through the Port of Saint John in 1995 was 18.7 million tonnes. This represents a tonnage reduction of eleven percent predominately due to reduced crude oil and petroleum shipments. Petroleum related traffic declined by thirteen percent from 17.9 million tonnes to 15.5 million tonnes. Potash shipments continued at a strong level of 1.5 million tonnes, which is a modest decline from the record traffic of 1.6 million tonnes through the Barrack Point Potash Terminal in 1994.

Significant gains were recorded in forest products traffic with an eighteen percent increase over the previous year to 825,000 tonnes. Container traffic recorded a modest increase of four percent to reach 200,000 tonnes. Bulk shipments of sugar and salt returned to historic volumes from the record shipments of 1994 and posted volumes of 240,000 and 191,000 tonnes respectively. Traffic in other cargoes increased by 28 percent to reach 210,000 tonnes.

Twelve cruise ships called at Saint John in 1995 bringing 12,226 passengers to the port. The cruise ship traffic included inaugural calls by four vessels and two calls by the Queen Elizabeth 2.

In 1995 the Corporation achieved its highest level of net income since 1988. Operating revenues of \$12.1 million and operating expenses of \$10.1 million produced an operating income of \$1.9 million. Interest payments of \$2.1 million on the Corporation's federal debt was partially offset by investment income of \$465,000 to yield a positive net income of \$305,000. The Corporation had \$3.9 million in cash and investments at the end of 1995 which is approximately \$745,000 higher than at year end in 1994. Additional cash of \$1.2 million generated from operations was partially invested in fixed assets in the amount of \$500,000 and the balance placed in investments.

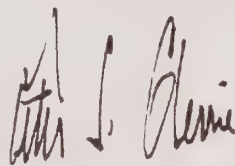
Almost \$3.0 million were directed to maintenance and development of port facilities in 1995. Significant projects included the installation of a closed circuit television system to further improve port safety and security and the application of protective coatings to the floors of forest product sheds which will minimize staining and discoloration of stored products by providing greater efficiency in cleaning of shed floors. Major maintenance projects were comprised of berth refacing at Navy Island, Pugsley and Rodney Terminals, repairs to pilings at Barrack Point Potash Terminal and Rodney Terminal, and repairs to wharf structures at various terminals.

For many years a leasing arrangement was in place with Brunterm Limited for the operation of Rodney Terminal. As the lease was scheduled to expire on November 24, 1995, the Corporation called for proposals for a terminal operator in the spring of 1995. On the basis of proposals received, the Corporation selected Logistec Stevedoring for negotiations and subsequently the company began operations under the name of Brunswick Terminals Inc. The Corporation looks forward to working with the terminal operator to diversify the terminal to handle containers and general cargoes as well as providing for simultaneous roll-on/roll-off, lift-on/lift-off cargo operations.

During 1995, a number of accomplishments enhanced the competitive position of the port. Cargo loading productivity records were achieved when potash was loaded on board ship at the Barrack Point Potash Terminal at a rate of 2,700 tonnes per hour, and forest products were handled at a record 520 tonnes per hour at the Navy Island Forest Products Terminal. The year will also be remembered for what is believed to be an unprecedented achievement in collective bargaining in a Canadian port in which the Maritime Employers Association and the International Longshoremen's Association, Local 273, negotiated and executed a new three year collective agreement prior to the expiration of the current agreement on December 31, 1995. We extend our congratulations to all those who contributed to these successes which demonstrate improving productivity and a cooperative labour management partnership in the port.

The accomplishments of the past year can be attributed to the collective efforts and contributions of the many people and organizations that comprise the Saint John Port Community. To our customers, particularly shippers and carriers, we express our appreciation for your support during 1995. In particular, we commend the employees for their hard work and dedication in fulfilling the objectives of the Corporation. We would also like to recognize the commitment and support of the board of directors.

The Canadian marine transportation system is expected to undergo many significant changes as the federal government's marine policy reforms are implemented in 1996. It is our hope and expectation that these reforms will enable the Port of Saint John to be even more competitive in the coming years. We have confidence in the ability of the port to be flexible to changing conditions and seize opportunities to increase traffic and strengthen its position as a major transportation centre in Atlantic Canada.



Peter S. Glennie
Chairman of the Board



Kenneth R. Krauter
General Manager and Chief Executive Officer

Auditors' Report

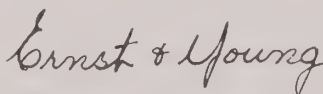
To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1995 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.



Chartered Accountants
Saint John, New Brunswick,
January 30, 1996

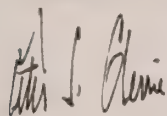
Balance Sheet

As at December 31

	1995	1994
	<i>(in thousands of dollars)</i>	
Assets		
Current		
Cash	\$ 48	\$ 105
Investments [note 3]	2,846	2,049
Accounts receivable	1,123	768
	4,017	2,922
Long-term		
Long-term investments [note 3]	980	976
Fixed assets [note 4]	59,131	60,185
	60,111	61,161
Total assets	\$64,128	\$64,083
Liabilities and Equity of Canada		
Current		
Accounts payable and accrued charges	\$ 1,070	\$ 701
Deferred revenues	143	264
Grants in lieu of municipal taxes	591	1,053
	1,804	2,018
Long-term		
Loans from Canada [note 5]	18,052	18,052
Financing provided by a province [note 6]	19,696	19,696
Accrued employee benefits	533	458
	38,281	38,206
	40,085	40,224
Equity of Canada [note 8]		
Contributed capital	23,910	44,462
Income (deficit)	133	(20,603)
	24,043	23,859
Total liabilities and equity of Canada	\$64,128	\$64,083

See accompanying notes.

On behalf of the Board:



Peter S. Glennie
Chairman



Kenneth R. Krauter
General Manager and Chief Executive Officer

Statement of Income and Deficit

for the year ended December 31

1995

1994

(in thousands of dollars)

Revenues from operations	\$12,095	\$ 12,184
Expenses		
Operating and administrative	8,086	8,003
Depreciation	1,553	1,590
Grants in lieu of municipal taxes	624	606
Loss (gain) on disposal of fixed assets	(12)	(3)
	10,251	10,196
Income from operations	1,844	1,988
Investment income	465	305
Interest expense	(2,125)	(2,125)
	(1,660)	(1,820)
Income before reduction in carrying value of fixed assets	184	168
Reduction in carrying value of fixed assets [note 7]	—	(20,552)
Income (loss)	184	(20,384)
Retained earnings (deficit), beginning of year	(20,603)	(219)
	(20,419)	(20,603)
Retained earnings adjustment [note 8]	20,552	—
Retained earnings (deficit), end of year	\$ 133	\$(20,603)

See accompanying notes.

Statement of Cash Flows

for the year ended December 31

1995

1994

(in thousands of dollars)

Cash provided by (used in)		
Operations		
Net income (loss)	\$ 184	\$(20,384)
Add items not requiring a cash payment		
Depreciation	1,553	1,590
Loss (gain) on disposal of fixed assets	(12)	(3)
Reduction in carrying value of fixed assets [note 7]	—	20,552
Other	75	13
	1,800	1,768
Net change in non-cash working capital balances [note 9]	(569)	(67)
	1,231	1,701
Investing		
Additions to fixed assets	(499)	(802)
Long-term investments	(4)	(3)
Proceeds on disposal of fixed assets	12	3
	(491)	(802)
Increase in cash	740	899
Cash position, beginning of year	2,154	1,255
Cash position, end of year	\$2,894	\$ 2,154

Cash position consists of cash and short-term investments.

See accompanying notes.

Notes to Financial Statements

December 31, 1995

1. Canada Ports Corporation Act and Incorporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation — Port of Saint John.

2. Significant Accounting Policies

Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5 – 6.7
Berthing structures	2.5 – 10.0
Buildings	2.5 – 10.0
Utilities	3.3 – 10.0
Roads and surfaces	2.5 – 10.0
Machinery and equipment	5.0 – 100.0
Office furniture and equipment	20.0

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

Investments are direct and guaranteed securities of Canada as follows:

	1995		1994	
	(in thousands of dollars)			
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$2,846	\$2,899	\$2,049	\$2,062
Canada Bonds	\$ 980	\$1,000	\$ 976	\$1,000

4. Fixed Assets

	1995		1994	
	(in thousands of dollars)			
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 31,755	\$ —	\$ 31,755	\$ —
Dredging	1,739	1,590	1,739	1,585
Berthing structures	49,117	35,875	49,060	35,340
Buildings	16,035	6,873	15,945	6,528
Utilities	7,394	5,256	7,366	5,096
Roads and surfaces	7,751	5,720	7,751	5,408
Machinery and equipment	1,096	607	895	561
Office furniture and equipment	1,330	1,165	1,248	1,081
Work under construction	—	—	25	—
	\$116,217	\$57,086	\$115,784	\$55,599
Accumulated depreciation	57,086		55,599	
Net book value	\$ 59,131		\$ 60,185	

5. Loans from Canada

	1995	1994
	<i>(in thousands of dollars)</i>	
Term loans bearing interest at 11.0% to 12.43% maturing between December 31, 1998 and 2005	\$18,052	\$18,052

6. Financing Provided by a Province

The Province of New Brunswick advanced \$25,000,000 to partially finance the construction of Rodney Terminal Complex, Saint John. The Province will receive annual principal payments equal to approximately 47% of the net operating income of the terminal until the non-interest bearing advance is repaid. The cost of major repairs has been included in calculating the net operating income of the terminal and the current portion payable as at December 31, 1995 has been calculated accordingly. The province is disputing this accounting treatment. Had net operating income not been reduced by the cost of these major repairs, there would currently be an overpayment to the Province of approximately \$846,000.

7. Reduction in Carrying Value of Fixed Assets

In 1994 the Corporation reviewed the carrying value of all its terminal facilities. On an individual basis the carrying value of each terminal was compared to its net recoverable amount. For those terminals where the carrying value was in excess of the net recoverable amount, the carrying value was adjusted to the higher of net recoverable amount or the fair market value of the residual land.

8. Retained Earnings Adjustment

During the year, permission was obtained from the Minister of Transport to transfer \$20,552,000 to retained earnings from contributed surplus. During 1994 the Corporation recorded a reduction in the carrying value of its fixed assets in the amount of \$20,552,000 (see note 7). As a result of the transfer from contributed surplus, retained earnings will reflect the cumulative results of the Corporation's regular operations.

9. Net Change in Non-Cash Working Capital Balances

	1995	1994
	<i>(in thousands of dollars)</i>	
Decrease (increase) in current assets		
Accounts receivable	\$(355)	\$ (9)
Materials and supplies	—	8
	(355)	(1)
Increase (decrease) in current liabilities		
Accounts payable and accrued charges	369	(648)
Deferred revenues	(121)	(24)
Grants in lieu of municipal taxes	(462)	606
	(214)	(66)
	\$(569)	\$ (67)

10. Related Party Transactions

During the year the Corporation paid \$505,116 (1994 — \$813,341) to Canada Ports Corporation as its share of that Corporation's head office expense.

During the year the Corporation paid \$782,223 (1994 — \$825,225) for the provision of protective services, per agreement with Canada Ports Corporation. The Corporation paid \$663,090 of this balance (1994 — \$825,225) to Canada Ports Corporation. The balance of \$119,133 was paid to unrelated suppliers.

11. Transportation System Review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*.

At this time, the impact upon the Corporation is not known, but it is not expected to have a significant impact on operations.

BOARD OF DIRECTORS

Peter S. Glennie, Q.C. *

Chairman

Patterson Palmer Hunt

Murphy

Saint John, New Brunswick

David L. Doyle *

Vice-Chairman

Teed Saunders Doyle & Co.

Saint John, New Brunswick

Malcolm R. Baxter */**

Chairman, President and Chief Executive Officer

Baxter Foods Limited

Saint John, New Brunswick

William R. Leahy **

General Manager

Lingley Printing and Stationery

Saint John, New Brunswick

Keri L. Walker **

Buckley and Walker

Chartered Accountants

Sussex, New Brunswick

**Member, Executive Committee*

***Member, Audit Committee*

OFFICERS OF THE CORPORATION

Peter S. Glennie, Q.C.

Chairman

David L. Doyle

Vice-Chairman

Kenneth R. Krauter

General Manager and Chief Executive Officer

R. Adam McBride

Assistant General Manager

Peter D. Clark

Director, Marketing

Ardith L. Bartlett

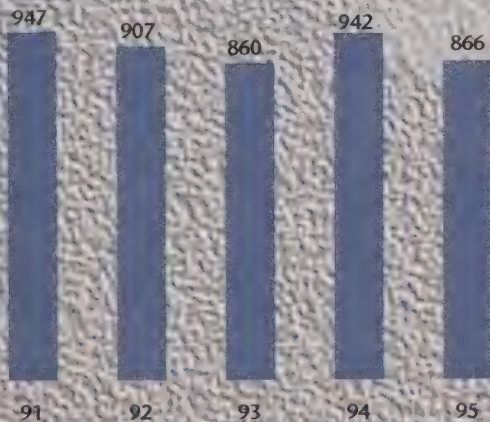
Corporate Secretary



ST. JOHN'S PORT C O R P O R A T I O N

1 9 9 5

TOTAL TRAFFIC (thousand tonnes)



Joint Message from the Chairman of the Board and the Port Manager and Chief Executive Officer

The St. John's Port Corporation (SJPC) is pleased to submit its annual report on the performance of the Corporation for the year 1995.

The Corporation's mission is "to provide reliable, economic, and efficient port services for the purposes of supporting Canadian trade, fostering regional economic development, and serving Newfoundland's distribution requirements".

The long-term vision of the Corporation is "to be the principal intermodal gateway for Newfoundland and a primary marine service centre on Canada's east coast". Presently, the port's market share of general cargo being shipped to Newfoundland is 40 percent. Considering the port's competitive strengths, such as its location relative to the population of Newfoundland and to Canada's continental shelf; adequate facilities to accommodate existing general cargo; and the fine reputation of Oceanex in handling intermodal traffic, the Corporation is confident that its overall market position, especially that of inward general cargo, will improve during the next few years. As an established marine service centre, the port is well-equipped to support offshore oil field exploration and development activities, thus contributing to growth in the market share.

Net earnings for 1995 were \$354,000, which is slightly below the previous year's amount of \$371,000. Revenue from operations was down eight percent, primarily due to lower revenue from leasing activities.

The reduction in operating revenues was partially offset by lower expenses in most categories. Also, investment income increased as a result of the deferral of several capital projects. Overall, 1995 financial results were positive as most budget targets were achieved.

As a result of continued weakness in the economy, the port recorded an 8.1 percent decline in the total volume of cargo handled during 1995, compared to 1994. Total port traffic amounted to 866,191 tonnes in 1995, compared to 942,397 tonnes in 1994. Containerized general cargo fell by 5.9 percent, compared to the previous year. During 1995, the port handled 334,869 tonnes of containerized cargo compared to 355,868 tonnes in 1994.

Total TEUs handled at SJPC facilities in 1995 amounted to 78,676 compared to 82,695 in 1994, a decrease of 4.9 percent. Trailer units moving over port facilities amounted to 6,284, a decrease of 8.1 percent compared to 1994. The total volume of new vehicles shipped through the port in 1995 totalled 13,336 units compared to 16,988 units in 1994, a decline of 21.5 percent. Liquid bulk declined substantially in 1995, as a result of a downturn in marine bunkering business. The imposition of an indefinite moratorium on northern cod stocks is one of the main factors contributing to fewer vessel arrivals, thus less demand for marine bunker fuels.

The Port of St. John's will benefit from two major announcements made in 1995 regarding offshore oil development and exploration.

Hibernia Management and Development Company Limited awarded a five-year \$20 million offshore supply base contract to A. Harvey & Co. Limited, Port of St. John's, for the provision of shore-base support services to the Hibernia development project. The Hibernia oilfield will have an economic life of approximately 18 years. It is estimated that 116,000 tonnes of cargo will be handled at the supply base annually. The base will be constructed at private facilities and will be fully operational by early 1997.

Petro-Canada and its partners in the Terra Nova project recently announced they are proceeding with the preparation of a development plan application for submission to the Canada-Newfoundland Offshore Petroleum Board. The Terra Nova oilfield was discovered by Petro-Canada in 1984, and is located approximately 350 kilometres east-

southeast of St. John's, only 35 kilometres southeast of the Hibernia oilfield. The Canada-Newfoundland Offshore Petroleum Board estimates recoverable oil reserves at about 400 million barrels. St. John's has been identified as one possible location for project-related activity.

The Corporation's 1995 Capital Works Program was impacted by a variety of factors, which led to several project postponements during the year. This, combined with cost-savings realized through the tendering process, resulted in a budget reduction of approximately \$1.09 million.

Significant projects undertaken during 1995 include the demolition and removal of a large outdated transit shed; the refurbishing of a 615 square metre warehouse; concrete crib, concrete deck and fendering repairs at Oceanex Terminal; and structural rehabilitation of concrete piles at Berths 6 to 11. Other facility repairs were completed, as budgeted.

The Corporation continued efforts to obtain administration, management, and control of portions of the former CN lands at St. John's. These lands, now under the auspices of Transport Canada, are required for expansion of the Oceanex Terminal and the potential development of new marine industries. Property initiatives are proceeding in accordance with the Corporate Land Use Management Plan.

Ports Canada Police continued to provide the St. John's Port Corporation with police services, ensuring that the port is a safe and secure environment in which to conduct marine industrial business.

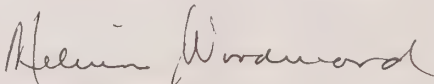
Considerable progress was made in pursuing the objective of achieving a more equitable level of taxation on port property. Discussions among the Corporation, port users, and the municipality resulted in a reduction in taxes on certain properties, which will serve to strengthen the competitive position of the port. A more equitable level of taxation will continue to be a corporate objective.


The port city of St. John's is ideally situated to take advantage of the two largest cruise industry markets in the world — North America and Europe. Trends indicate that this is an opportune time for St. John's to increase its profile and participation in both the North America and TransAtlantic cruise industry markets. Furthermore, the adventure cruise market is growing and the notion of "theme cruising" is becoming very popular. St. John's and the Province of Newfoundland are well-positioned to take advantage of such trends.

During 1995, the Corporation and the City of St. John's agreed to take part in a three-year marketing program aimed at attracting cruise vessels to St. John's. As part of this initiative, the port and city attended several major cruise industry trade exhibitions in Europe and the United States. In addition, sales calls were also made to targeted cruise lines in 1995.

In accordance with the necessary statutory obligations, the St. John's Port Corporation is pleased to advise the shareholders that all necessary administrative and financial procedures and controls are in place to ensure assets are safeguarded and to achieve the objectives of the Corporation.

In conclusion, the St. John's Port Corporation would like to express appreciation and thanks to port staff, the marine community, and customers for their cooperation, dedication, and commitment during 1995.


Melvin Woodward
Chairman of the Board


David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1995 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and Regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.

Chartered Accountants
St. John's, Newfoundland
January 31, 1996

Balance Sheet

As at December 31	1995	1994
Assets		
Current		
Cash	\$ 158,769	\$ 62,435
Investments (Note 3)	4,107,873	3,180,176
Accounts receivable	541,934	567,510
	4,808,576	3,810,121
Fixed (Note 4)	11,997,317	12,732,859
	\$16,805,893	\$16,542,980
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 250,401	\$ 226,691
Grants in lieu of municipal taxes	118,164	291,726
Deferred revenues	140,986	138,913
	509,551	657,330
Accrued employee benefits	202,538	145,419
	712,089	802,749
Equity of Canada		
Contributed capital	10,131,636	10,131,636
Surplus	5,962,168	5,608,595
	16,093,804	15,740,231
	\$16,805,893	\$16,542,980

Contingencies (Note 6)

See accompanying notes to the financial statements.

On behalf of the Board:

Melvin Woodward
Chairman

David J. Fox, P. Eng
Port Manager and Chief Executive Officer

Statements of Earnings and Surplus

year ended December 31	1995	1994
Revenue from operations	\$2,934,299	\$3,173,748
Operating and administrative expenses	1,895,239	1,966,629
Depreciation	923,333	917,028
Grants in lieu of municipal taxes	31,390	70,838
	2,849,962	2,954,495
Earnings from operations	84,337	219,253
Investment income	269,236	151,904
Net earnings	\$ 353,573	\$ 371,157
Surplus, beginning of year	\$5,608,595	\$5,237,842
Net earnings	353,573	371,157
Dividend to Canada	—	(404)
Surplus, end of year	\$5,962,168	\$5,608,595

See accompanying notes to the financial statements.

Statement of Changes in Financial Position

year ended December 31	1995	1994
Cash derived from (applied to)		
Operating		
Net earnings	\$ 353,573	\$ 371,157
Depreciation	923,333	917,028
Other non-cash items	57,119	16,702
	1,334,025	1,304,887
Change in non-cash operating working capital (Note 5)	(136,898)	(97,674)
	1,197,127	1,207,213
Financing		
Change in construction payables	14,695	(84,060)
Investing		
Purchase of fixed assets	(187,999)	(200,177)
Disposal of fixed assets	208	8,101
	(187,791)	(192,076)
Dividend to Canada	—	(404)
Net increase in cash	1,024,031	930,673
Cash and short term investments		
Beginning of year	3,242,611	2,311,938
End of year	\$4,266,642	\$3,242,611

See accompanying notes to the financial statements.

Notes to Financial Statements

December 31, 1995

1. Local Port Corporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation — Port of St. John's to the St. John's Port Corporation.

2. Summary of Significant Accounting Policies

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Berthing structures	2.5 – 10%
Buildings	2.5 – 10%
Utilities	3.3 – 10%
Roads and surfaces	2.5 – 10%
Machinery and equipment	5 – 100%
Office furniture and equipment	20 – 33.3%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	1995		1994	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$4,107,873	\$4,230,000	\$3,180,176	\$3,296,000

4. Fixed Assets

	Cost	Accumulated Depreciation	1995 Net Book Value	1994 Net Book Value
Land	\$ 4,736,134		\$ 4,736,134	\$ 4,736,134
Berthing structures	11,052,118	\$ 7,333,418	3,718,700	3,993,213
Buildings	1,366,194	951,298	414,896	417,529
Utilities	3,520,901	1,672,504	1,848,397	1,980,814
Roads and surfaces	4,019,840	2,973,444	1,046,396	1,364,141
Machinery and equipment	358,942	196,370	162,572	181,889
Office furniture and equipment	295,131	268,589	26,542	27,141
Projects under construction	43,680		43,680	31,998
	\$25,392,940	\$13,395,623	\$11,997,317	\$12,732,859

5. Change in Non-Cash Operating Working Capital

	1995	1994
Accounts receivable	\$ 25,576	\$ (79,754)
Accounts payable and accrued liabilities	9,015	45,470
Grants in lieu of municipal taxes	(173,562)	94,633
Deferred revenues	2,073	(158,023)
	\$ (136,898)	\$ (97,674)

6. Contingent Liabilities

Claims aggregating approximately \$364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. Related Party Transactions

During the year the Corporation paid \$161,137 (1994 — \$248,059) and \$143,488 (1994 — \$224,501) to Canada Ports Corporation as its share of that Corporation's head office expense and police services respectively.

BOARD OF DIRECTORS

Melvin Woodward *

Chairman

President and Chief Executive Officer

Woodward Group of Companies

Goose Bay, Labrador

Sean Hanrahan *

Vice Chairman

Lawyer

St. John's, Newfoundland

Thomas Doyle *

Consultant

St. John's, Newfoundland

David J. Murphy **

President

Switchel Schooner Adventures

Marine Tourism Development, and

President of Charter Boat Association

of Newfoundland & Labrador

Topsail, Conception Bay South, Newfoundland

Terence Pike **

President

Financial Focus Incorporated

St. John's, Newfoundland

Margaret Green Warren **

Legislative Assistant

St. John's, Newfoundland

**Member, Executive Committee*

***Member, Audit Committee*

OFFICERS OF THE CORPORATION

Melvin Woodward

Chairman

Sean Hanrahan

Vice Chairman

David J. Fox

Port Manager and Chief Executive Officer

Brian Scott

Manager, Finance and Administration

Captain Henry Flight

Harbour Master

Keith Rose

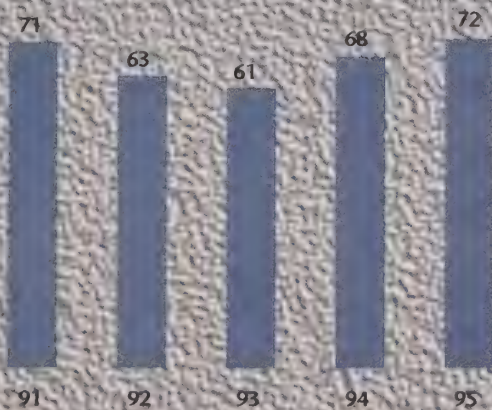
Corporate Secretary



VANCOUVER PORT C O R P O R A T I O N

1 9 9 5

TOTAL TRAFFIC *(million tonnes)*



Joint Message from the Chairman of the Board and the President and Chief Executive Officer

Canada's largest and most diversified port had many successful and progressive achievements in 1995. Tonnage totalled 71.5 million tonnes, up from 67.6 million handled in 1994.

About 83 percent of Vancouver's cargo is bulk commodities. The worldwide demand for coal pushed exports up by 15 percent to 26.5 million tonnes; sulphur had a 25 percent gain to 4.7 million tonnes; potash rose eight percent to 4.4 million tonnes while grain was down 16 percent to 12.1 million tonnes owing to a decrease in supply from the Prairies combined with a late year cold snap.

General cargo represents 11 percent of the port's tonnage. Lumber exports posted an 12 percent gain to 2.3 million tonnes while wood pulp exports were up by three percent to 2.6 million tonnes.

On the container side, total TEUs increased modestly to 496,000 owing to a slowdown in the last quarter of 1995.

The Vancouver-Alaska cruise market grew for the 13th consecutive year with a record 283 sailings carrying a total of 597,000 revenue passengers.

The port's activities contributed an estimated \$1.68 billion of direct value-added gross domestic product to the Canadian economy in 1995. In addition, the port provided 10,300 direct jobs.

In 1995, the port completed, progressed or initiated several significant projects to further its business goals. In May, Vancouver Port Corporation (VPC) re-opened Ballantyne Pier after a \$49 million complete redevelopment. This modern, two-berth facility now serves a dual purpose of servicing cruise vessels and passengers as well as providing a forest products warehouse of nearly 200,000 square feet. The Ballantyne project has been honoured by the City of Vancouver with a heritage award.

Work continued on the new \$224 million Deltaport container terminal. Located at Roberts Bank, Deltaport will double Vancouver's overall container capacity to more than 1.1 million TEUs per year. The interest expressed in Deltaport by container lines has exceeded earlier expectations. The project remains on budget and is scheduled to start operations in early 1997.

To finance VPC's extensive capital improvements program, a loan has been arranged from Export Development Corporation for \$139 million to be drawn down over two years. This loan will be repaid from the port's future cash flow.

In response to private sector interest, VPC issued a request for proposals to develop a new state-of-the-art agri-bulk export terminal at Roberts Bank. Saskatchewan Wheat Pool and Cargill Limited were selected to jointly develop the \$175 million plus facility which is planned for completion in 1999 following an extensive public process. This project will enhance Vancouver's position as the leading grain port in Canada and on the west coast of North America.

VPC negotiated the renewal of 20-year leases with Neptune Terminals and Seaboard Forest Products as part of its program to promote the private sector investment in maintaining modern, updated facilities. A joint venture arrangement was made with Canadian Stevedoring to facilitate a 10-acre expansion of Centerm Terminal at an estimated cost of \$20 million. The port helped to establish a new waterfront training centre for B.C. Maritime Employers' Association and implemented a revised residential waterfront use policy.

The diligence of the port community in pursuing new business was rewarded by Hanjin Shipping's announcement that it will commence a weekly service to Vancouver starting in the spring of 1996. It is expected Hanjin will move up to 50,000 TEUs annually. Hanjin's arrival will mark the first regular direct call of a Korean flag container vessel to Vancouver.

Also in late 1995, the Maersk/Sea-Land consortium announced it will commence a weekly direct service to the Port of Vancouver beginning in February 1996 which should add a further 30,000 TEUs a year.

Container traffic through the port provides, on average, about \$1,000 per box in revenues to the Canadian economy.

In keeping with our role as Western Canada's major port and our commitment to customer service, VPC regularly sponsors Port Users' Conferences to provide a forum for shippers, carriers, terminal operators, labour, government representatives and business leaders to openly discuss issues of concern and to initiate positive responses. In 1995 these conferences were held in Winnipeg and Edmonton; in 1996 they are scheduled for Toronto and Regina.

A federal inquiry commission on labour relations at west coast ports was conducted in 1995 and a series of recommendations made to the federal Minister of Labour aimed at reducing coast-wide work stoppages and their related economic impact.

Members of the B.C. Maritime Employers' Association and the International Longshoremen's and Warehousemen's Union (Canadian Area) agreed to a three-year collective agreement which runs to December 31, 1998 on a timely basis without threat of disruption. Our longshoring workforce is well-known for its productivity and skills and this pact signals a new era of reliability.


VPC expanded its customer service division to provide more personal attention to shippers' needs and a sharper focus on problem solving and untapped revenue opportunities.

VPC places a high value on its sisterport relationships and welcomes the introduction of staff exchanges starting with the Port of Dalian and the Korean Maritime and Port Authority sending personnel to Vancouver. The port received beautiful gifts from two of its new sisterports, both in the form of guardians — a pair of lions from the Port of Shanghai and a Harubang from the Port of Incheon — and these are publicly displayed on both sides of Burrard Inlet.

Planning began for the port's hosting of two major conferences in 1996: the 8th Pan-Pacific Port Conference and the American Association of Port Authorities Annual Meeting.

1995 was a significant year for completing environmental projects. Among key initiatives, the port secured permission to place dredge materials in previously overdredged areas in the harbour. This innovative approach had the effect of enhancing the environment while providing substantial cost savings. The port designed and built another artificial reef at Cates Park using concrete material from the Ballantyne Pier redevelopment. VPC was an active participant in the Burrard Inlet Environmental Action Program as well as the Roberts Bank Environment Approval Committee.

VPC welcomed the streamlined decision-making and the fuller accountability of a regional board of directors which forms part of the new policy on ports. Vancouver already successfully realizes the primary goals of the policy, namely: commercialized operations, financial self-sufficiency, cargo diversity, business discipline and the facilitation of international trade.


J. Ron Longstaffe
Chairman of the Board


Norman C. Stark
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P.C., M.P.
Minister of Transport

We have audited the consolidated balance sheet of the Vancouver Port Corporation as at December 31, 1995 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.

KPMG Peat Marwick Chartered

Chartered Accountants
Vancouver, British Columbia
February 9, 1996

Consolidated Balance Sheet

	1995	1994
As at December 31, 1995	<i>(in thousands of dollars)</i>	
Assets		
Current assets:		
Cash	\$ 2,222	\$ 2,038
Investments (Note 2)	55,387	17,392
Accounts receivable	9,737	8,465
	67,346	27,895
Long-term receivables (Note 3)	12,495	13,248
Property and equipment (Note 4)	367,808	341,776
	\$447,649	\$382,919
Liabilities and Equity of Canada		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,901	\$ 12,734
Grants in lieu of municipal taxes	7,428	5,495
Deferred revenue	3,999	4,051
	37,328	22,280
Accrued employee benefits	1,198	1,492
Long-term loans (Note 5)	44,324	2,065
	82,850	25,837
Equity of Canada:		
Contributed capital	150,259	150,259
Retained earnings	214,540	206,823
	364,799	357,082
Commitments (Note 7)		
Contingencies (Note 8)		
	\$447,649	\$382,919

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. Ron Longstaffe
Chairman

Thomas G. White
Director

Consolidated Statement of Income and Retained Earnings

	1995	1994
for the year ended December 31, 1995		(in thousands of dollars)
Operating revenue	\$ 62,531	\$ 58,136
Expenses:		
Operating and administrative expenses	29,658	30,201
Grants in lieu of municipal taxes	9,000	4,618
Depreciation	13,000	10,420
	51,658	45,239
Income from operations	10,873	12,897
Investment income	4,113	3,113
Interest expense	(2,916)	(203)
	1,197	2,910
Net income	12,070	15,807
Retained earnings, beginning of year	206,823	193,968
	218,893	209,775
Dividend payment to Canada	(4,353)	(2,952)
Retained earnings, end of year	\$214,540	\$206,823

See accompanying notes to consolidated statements.

Consolidated Statement of Changes in Financial Position

	1995	1994
for the year ended December 31, 1995	<i>(in thousands of dollars)</i>	
Cash provided by (used for):		
Operations:		
Net income	\$12,070	\$15,807
Items not involving cash:		
Depreciation	13,000	10,420
Other	180	792
Changes in non cash operating working capital	13,777	7,293
	39,027	34,312
Financing:		
Long-term loans (net)	42,259	(331)
Dividend payment to Canada	(4,353)	(2,952)
Long-term receivables	672	660
	38,578	(2,623)
Investments:		
Additions to property and equipment (net)	(39,426)	(61,053)
Increase in cash and investments	38,179	(29,364)
Cash and investments, beginning of year	19,430	48,794
Cash and investments, end of year	\$57,609	\$19,430

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1995

Local Port Corporation

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is "to facilitate the efficient movement of maritime trade and passengers through the Port of Vancouver in the best interests of Canadians with facilities and services that are competitive, safe, commercially viable, dependable and customer-oriented and which have broad public support."

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superseding the *Canada Ports Corporation Act*. At this time, the impact of these changes on the Corporation is not known.

1. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances and consistently applied. A summary of the significant accounting policies of the Corporation is as follows:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Canada Place Corporation. All significant intercompany accounts and transactions have been eliminated.

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(c) Pension costs

All permanent employees of the Corporation are covered by either the Public Service Superannuation Plan administered by the Government of Canada, or a private group retirement plan. Contributions to the plans are required from the employees and the Corporation. Although both plans are defined benefit plans, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Accruals are assessed each year and changes, if any, are made in the current period's financial statements based on the best available information, including the results of audits by the Municipal Grants Division of Public Works Canada.

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

2. Investments

Current investments are in Government of Canada treasury bills and term deposits. At December 31, 1995 and 1994 the market value of these investments approximated carrying value.

3. Long-Term Receivables

	1995	1994
	<i>(in thousands of dollars)</i>	
Long-term agreements for sale, bearing interest between 6-5/8% and 9% per annum, receivable in blended annual installments totaling approximately \$1.8 million, maturing between 1996 and 2012	\$12,098	\$12,713
Less current portion (included in accounts receivable)	(752)	(691)
	\$11,346	\$12,022
Fire protection costs, net of amortization	1,120	1,200
Other	29	26
	\$12,495	\$13,248

4. Property and Equipment

			1995	1994
			<i>(in thousands of dollars)</i>	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 90,823	\$ —	\$ 90,823	\$ 86,493
Dredging	584	289	295	185
Berthing Structures	100,468	35,926	64,542	39,829
Buildings	142,620	32,045	110,575	92,997
Utilities	21,487	10,667	10,820	11,528
Roads and surfaces	38,471	27,882	10,589	10,489
Machinery and equipment	33,754	16,926	16,829	16,826
Office furniture and equipment	12,907	8,280	4,627	3,758
Projects under construction	58,708	—	58,708	79,671
	\$499,822	\$132,015	\$367,808	\$341,776

5. Long-Term Loans

	1995	1994
	<i>(in thousands of dollars)</i>	
Loan from Canada, bearing interest at 7.5%, repayable in blended annual instalments, maturing December 31, 2000	\$ 2,065	\$2,396
Loan from Export Development Corporation, bearing interest at approximately 8.5%, repayable quarterly in blended instalments, maturing May 31, 2005	44,239	—
	46,304	2,396
Less current portion (included in accounts payable)	(1,980)	(331)
	\$44,324	\$2,065

Principal repayment requirements over the next five years are as follows:

1996	\$1,980
1997	2,149
1998	2,333
1999	2,532
2000	2,750
	\$11,744

Under the terms of a \$139 million credit facility with the Export Development Corporation (EDC), the Corporation has access to (1) short term, floating interest rate loans with the last draw due to be repaid November 1996 and (2) fixed interest rate loans available to the limit of the credit facility due in blended interest and principal payments over ten years. Under this facility the Corporation is obligated to make draws from the EDC under both the short and longer term financing arrangements. Draws are required on a short term basis totalling \$37.2 million. Draws totalling up to \$139 million are required which will be repaid over ten years with the last draw required to be advanced to the Corporation in November 1996. Interest on the ten year loans is determined with reference to the prevailing rate for ten year Government of Canada bonds at the time of the advance plus 42.5 basis points.

6. Related Party Transactions

In addition to the related party transactions described elsewhere in these consolidated financial statements, the Corporation paid \$1,546,955 (1994—\$2,107,000) to Canada Ports Corporation as its share of that corporation's operating expenses.

7. Commitments

Contractual obligations for the completion, construction and purchase of property and equipment as at December 31, 1995 are estimated at \$76.9 million.

It is the policy of all port corporations that each port corporation pay a dividend to Canada not later than March 31 based on a Corporation's prior year's income. Dividends are recorded by the Corporation as a liability when declared.

8. Contingencies

- (a) At December 31, 1995, the Corporation had claims from municipalities for grants in lieu of taxes of approximately \$12.9 million (1994: \$14.3 million) greater than the amount accrued in the financial statements.
- (b) There are estimated claims against the Corporation for approximately \$18.5 million plus unspecified damages. In the opinion of the Corporation, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for in the accounts of the year a liability is estimable.

9. Comparative Figures

Certain prior year amounts have been reclassified to conform with the presentation adopted in the current year.

BOARD OF DIRECTORS

J. Ron Longstaffe¹

Chairman

Vancouver, British Columbia

Carole Taylor^{1/2/3}

Vice-Chair

Vancouver, British Columbia

Denis J. Coté, P.Eng.^{2/3}

Vancouver, British Columbia

Lyall D. Knott, Q.C.^{1/4}

Vancouver, British Columbia

James W.Y. Lee²

Vancouver, British Columbia

Federick H. Peacock^{2/4}

Calgary, Alberta

Thomas G. White, C.A.^{3/4}

Williams Lake, British Columbia

¹*Member, Executive Committee*

²*Member, Planning and Development Committee*

³*Member, Public Affairs Committee*

⁴*Member, Audit and Budget Committee*

OFFICERS OF THE CORPORATION

J. Ron Longstaffe

Chairman

Carole Taylor

Vice-Chair

Norman C. Stark

President and Chief Executive Officer

Donald G. Buggie

Vice President, Management Services

David J. Clarke

Vice President, Business and Planning

Kevin G. Little

Vice President, Customer Service and Trade Development

Warren D. McCrimmon

Director, Legal Services and Corporate Secretary

Corporate Directory

Board of Directors

James B. Powers

Acting Chairman of the Board
St. John's, Newfoundland

Don N. Morrison

Acting President and Chief Executive Officer
Ottawa, Ontario

Benedict J. Kuzmicz

Candiac, Saskatchewan

Raymond Landry

Petit Rocher, New Brunswick

L. Allen Larson

Kamloops, British Columbia

Raymond Lemay

Chairman of the Board
Montréal Port Corporation
Montréal, Quebec

J. Ron Longstaffe

Chairman of the Board
Vancouver Port Corporation
Vancouver, British Columbia

Nels Nelson

Grimshaw, Alberta

Mervyn C. Russell

Chairman of the Board
Halifax Port Corporation
Halifax, Nova Scotia

Robert H. Vandewater

Winnipeg, Manitoba

Audit Committee

Chairman

J. Ron Longstaffe

Members

Benedict J. Kuzmicz

Nels Nelson

Officers of the Corporation

James B. Powers

Acting Chairman of the Board

Don N. Morrison

Acting President and Chief Executive Officer

Sidney Peckford

Director General
Ports Canada Police

Nicole Sauvé

Corporate Secretary

Mailing Addresses

Canada Ports Corporation

Port of Belledune

Belledune NB E0B 1G0

Tel.: (506) 522-2859

Fax: (506) 522-0803

Port of Churchill

c/o National Office

99 Metcalfe Street

Ottawa ON K1A 0N6

Tel.: (613) 957-6787

Fax: (613) 996-9629

Port Colborne

c/o National Office

99 Metcalfe Street

Ottawa ON K1A 0N6

Tel.: (613) 957-6787

Fax: (613) 996-9629

Port of Prescott

c/o National Office

99 Metcalfe Street

Ottawa ON K1A 0N6

Tel.: (613) 957-6787

Fax: (613) 996-9629

Port Saguenay/Baie des Ha! Ha!

49 Lafontaine Street

P.O. Box 760

Chicoutimi QC G7H 5E1

Tel.: (418) 698-5535

Fax: (418) 543-4633

Port of Sept-Îles

421 Arnaud Avenue

Sept-Îles QC G4R 3B3

Tel.: (418) 968-1231

Fax: (418) 962-4445

Port of Trois-Rivières

1545 du Fleuve Street

P.O. Box 999

Trois-Rivières QC G9A 5C7

Tel.: (819) 378-3939

Fax: (819) 378-2487

Ridley Terminals Inc.

P.O. Bag 8000

Prince Rupert BC V8J 4H3

Tel.: (604) 624-9511

Fax: (604) 624-4990

National Office

99 Metcalfe Street

Ottawa ON K1A 0N6

Tel.: (613) 957-6787

Fax: (613) 996-9629

Local Port Corporations

Halifax Port Corporation

Ocean Terminals

P.O. Box 336

Halifax NS B3J 2P6

Tel.: (902) 426-3643

Fax: (902) 426-7335

Montréal Port Corporation

Port of Montréal Building

Cité du Havre

Montréal QC H3C 3R5

Tel.: (514) 283-7011

Fax: (514) 283-0829

Prince Rupert Port Corporation

110 3rd Avenue West

Prince Rupert BC V8J 1K8

Tel.: (604) 627-7545

Fax: (604) 627-7101

Port of Québec Corporation

150 Dalhousie Street

P.O. Box 2268

Québec QC G1K 7P7

Tel.: (418) 648-3558

Fax: (418) 648-4160

Saint John Port Corporation

133 Prince William Street

P.O. Box 6429, Station A

Saint John NB E2L 4R8

Tel.: (506) 636-4869

Fax: (506) 636-4443

St. John's Port Corporation

3 Water Street

P.O. Box 6178

St. John's NF A1C 5X8

Tel.: (709) 442-4664

Fax: (709) 772-4689

Vancouver Port Corporation

1900 Granville Square

200 Granville Street

Vancouver BC V6C 2P9

Tel.: (604) 666-3226

Fax: (604) 666-1207



CAI
TA 66
- R 25



PORTS CANADA

1996 Annual Report



CANADA'S YEAR OF
ASIA PACIFIC 1997
L'ANNÉE CANADIENNE
DE L'ASIE-PACIFIQUE



Table of Contents

Ports Canada Profile

Ports Canada describes a federal system of ports administered pursuant to the *Canada Ports Corporation Act* which was proclaimed in 1983. Seven of these ports are autonomous local port corporations located in Halifax, Montréal, Prince Rupert, Québec, Saint John, St. John's and Vancouver. The other ports are administered on a divisional basis by the Canada Ports Corporation and are located in Belledune, Churchill, Port Colborne, Prescott, Port Saguenay/Baie des Ha! Ha!, Sept-Îles and Trois-Rivières. The Corporation also owns a bulk handling terminal in Prince Rupert, Ridley Terminals Inc.

Ports Canada handles nearly half of the overall Canadian port traffic. It is, therefore, an effective means for the implementation of the national ports policy. The policy provides for, at the best cost possible, and in a manner equitable to all users, the services necessary for Canada's international shipping trade at national, regional and local levels.

The system operates on a decentralized basis; each of the local port corporations functions with a high degree of autonomy in the administration of their respective port. In providing a public service, the ports are administered according to common commercial principles.

Canada Ports Corporation	3
Halifax Port Corporation	19
Montréal Port Corporation	25
Prince Rupert Port Corporation	33
Port of Québec Corporation	39
Saint John Port Corporation	45
St. John's Port Corporation	53
Vancouver Port Corporation	59
Corporate Directory	69



CANADA'S YEAR OF
ASIA PACIFIC 1997
L'ANNÉE CANADIENNE
DE L'ASIE-PACIFIQUE

On November 14, 1996, the Government of Canada announced the designation of 1997 as Canada's Year of Asia Pacific. This special year will celebrate Canada's Pacific dimensions and help us build even stronger partnerships in Asia Pacific to create opportunities for Canadians from coast to coast. During Canada's Year of Asia Pacific, the Government of Canada is encouraging business and business associations, youth and cultural organizations, as well as other groups to focus on Asia Pacific in their activities.

Ports Canada Perspective

Total cargo traffic, which includes waterborne cargo handled through both the terminals administered by Ports Canada ports and by private facilities within the jurisdiction of the member ports, amounted to 185.2 million tonnes in 1996.

In the dry bulk category, higher traffic levels were recorded in iron ore, metallic ores, such as alumina and bauxite, and sulphur as compared with the previous year. However, this was not enough to offset the declines in grain and potash handling. As a result, total dry bulk traffic decreased to 111.9 million tonnes in the year, down one percent from 113.4 million tonnes in 1995.

Offsetting the decline in dry bulk traffic was a 1.7 million-tonne gain in liquid bulk to 46.9 million tonnes during the year, an increase of four percent from the previous year's tonnage. Increased crude petroleum handling more than offset traffic declines in gasoline and fuel oil in 1996.

Total system-wide general cargo traffic set a new record of 26.5 million tonnes during the year, breaking the previous record of 26.4 million tonnes set in 1995. Containerized general cargo traffic reached a record high level of 16.8 million tonnes in 1996. This tonnage was handled in slightly under 2.0 million TEUs (twenty foot equivalent units) container boxes. The containerized tonnage surpassed the 1995 record of 15.1 million tonnes by 11 percent. Non-containerized general cargo fell to 9.6 million tonnes in the year, down from 11.2 million tonnes recorded in the previous year.

At the Port of Halifax, total waterborne cargo was down slightly to 12.9 million tonnes in 1996 as a result of extraordinary container and bulk cargo movements in the previous year. Excluding those items, the port's traffic levels were strong in 1996, due to the continued growth in the container business, breakbulk cargoes and grain handling.

Continued growth in container traffic and increased handling of dry bulk cargoes, particularly iron ore, propelled the total tonnage at the Port of Montréal to 19.9 million tonnes, up four percent from the 1995 level. Container traffic at the Port of Montréal, which is Canada's largest container port, established yet another record in 1996 at 7.9 million tonnes, up 11 percent from the previous year.

At the Port of Prince Rupert, total port traffic recorded a 12 percent decline to 10.1 million tonnes in the year, due primarily to decreased wheat exports which were down by 1.0 million tonnes from the previous year. Lumber and coal exports were also down in 1996.

Despite increased traffic in iron ore pellets, raw sugar, crude oil and American corn, total tonnage at the Port of Québec experienced a three percent drop in 1996 to 17.2 million tonnes. This decline in total port traffic was

largely the result of the lower handlings of Canadian grain exports, gasoline, fuel oil and coal.

The Port of Saint John finished the year with another strong performance in traffic, posting a 12 percent gain to reach 21.0 million tonnes. All categories reported increased levels of handling activity, with potash, and forest products traffic setting new records.

At the Port of St. John's, increased shipments in container and liquid bulk traffic were not enough to offset decreases in dry bulk traffic such as salt and cement. This led to a four percent decrease in total port traffic to 832,000 tonnes in 1996.

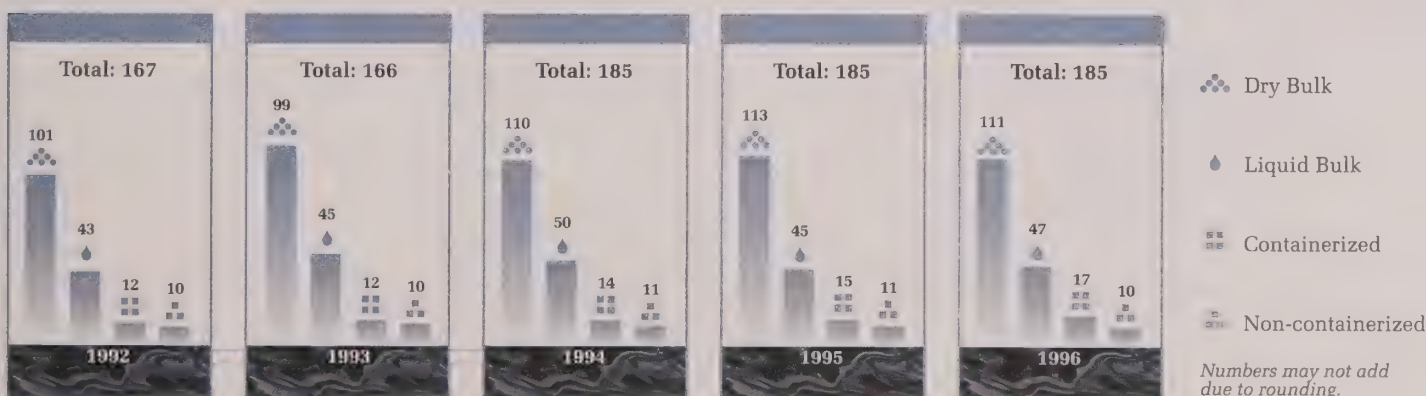
Driven by the strong economic growth in the Asia Pacific region, a low Canadian dollar, and the entire port community working together to retain existing business and attract new customers, the Port of Vancouver set a new traffic record in 1996 at 72.0 million tonnes, up slightly from 71.6 million tonnes in the previous year.

In 1996, the Port of Belledune reported significant gains in lead and zinc concentrates, gypsum and liquid bulk cargoes, which partially offset the decline in coal and phosphate rock traffic. Total port traffic was 1.4 million tonnes, down 12 percent from the record high level in 1995.

Increased grain exports by the Canadian Wheat Board through the Port of Churchill brought the port's total traffic to 336,000 tonnes during the year, which was an improvement of 24 percent over the 1995 level. At Port Colborne, there was no waterborne movement of grain during the year, as compared to one vessel call in 1995 carrying 14,000 tonnes of grain. The Port of Prescott recorded a 23 percent drop in total port traffic to 432,000 tonnes, due to a significant decrease in waterborne movement of grain.

The combined total traffic at the twin ports of Port Saguenay and Baie des Ha! Ha! showed a four percent improvement to 4.1 million tonnes in 1996. Lower salt and logs traffic led to a 21 percent decline in traffic to 297,000 tonnes at Port Saguenay. At the neighbouring private facility of Baie des Ha! Ha!, alumina and bauxite traffic returned to more normal levels from the low levels reported in 1995, leading to a seven percent gain in total traffic to 3.8 million tonnes. At the Port of Sept-Îles, lower iron ore shipments and vessel-to-vessel transshipment of coal were to blame for a three percent decrease in total port tonnage to 22.6 million tonnes in 1996. The Port of Trois-Rivières reported another strong traffic performance in 1996 at 2.3 million tonnes. This level of traffic, although 11 percent lower than the record high level of 2.6 million tonnes set in 1995 due to a decline in grain traffic, was still significantly higher than the traffic levels observed in recent years.

Total Port Cargo Traffic (million tonnes)



Ports Canada Financial Review

2

Revenue from operations for Ports Canada was \$235 million in 1996, an increase of \$5 million over 1995. Higher container traffic at the ports of Montréal and Vancouver contributed significantly to the higher revenues. Also, the Port of Saint John increased revenues as a result of a 12 percent increase in traffic.

Operating expenses of \$176 million represent a \$6 million reduction compared with 1995. The Port of Vancouver accounted for the largest share of the reduction, mainly through a \$2.5 million decrease in grants in lieu of municipal taxes. The ports of Halifax and Montréal each reduced operating expenses by \$1 million.

Higher operating revenues combined with lower operating expenses resulted in an increase of \$11 million in operating income, reaching \$59 million for 1996. Other income (expenses) includes investment income of \$16 million, as well as two non-recurring items which had a significant impact in 1996. Grants-in-lieu of municipal taxes at the Port of Vancouver were adjusted by \$7.5 million in the port's favor following municipal grants audits. Also at Vancouver, the port recognized a write-down of \$26 million in the carrying value of its investment in Canada Place Corporation. Overall other income (expenses) declined to (\$1) million in 1996 as compared to \$13 million in 1995.

Interest expense at \$26 million was \$1 million higher than 1995, reflecting additional borrowing, mainly at the

ports of Vancouver and Belledune to finance capital projects. The \$37 million increase in long term debt outstanding at year end 1996 reflects primarily the new borrowings at the ports of Vancouver and Belledune, less a combined total of \$49 million in federal and provincial debt forgiven at the three ports of Saint John, Québec and Prince Rupert.

Net income for the year of \$32 million was down \$4 million when compared to 1995.

The cash provided by operating activities climbed \$16 million during the year, to just over \$100 million. Working capital increased by \$31 million in 1996 to \$163 million. These funds will enable the ports to provide the required facilities and remain competitive.

During the year, the Ports Canada system invested \$139 million in capital assets, with most of the funds going toward completion of the Deltaport Container Terminal at the Port of Vancouver. Other major projects included the Mixed Cargo Terminal at the Port of Belledune, Pier A Redevelopment at the Port of Halifax and various projects at the Port of Montréal for the expansion and maintenance of port infrastructure. The Vancouver and Belledune projects were financed primarily by borrowings, and the others by internally generated funds. The Belledune project also received \$2.5 million in grant funding during 1996.

In 1996, Ports Canada paid dividends of \$6 million, based on 1995 financial results.

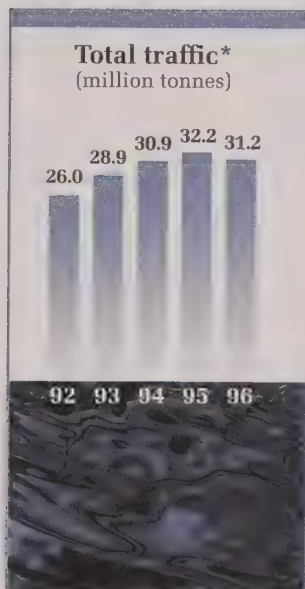
	1996	1995*	1994	1993**	1992
<i>(in millions except for average number of employees and ratios)</i>					
Financial results					
Revenue from operations	\$ 235.0	\$ 229.9	\$ 226.5	\$ 212.5	\$ 217.5
Operating expenses	176.3	182.3	178.6	181.1	170.8
Operating income	58.7	47.6	47.9	31.4	46.7
Other income (expenses) – net	(1.0)	13.2	(16.3)	19.8	16.7
Interest expense	26.2	25.2	22.4	22.0	22.6
Net income	31.5	35.6	9.2	29.2	40.8
Cash provided by operating activities	102.1	86.2	86.9	72.7	74.2
Financial position at year end					
Working capital	\$ 163.4	\$ 132.5	\$ 86.0	\$ 105.2	\$ 122.2
Fixed assets – at cost	1,636.3	1,546.7	1,485.2	1,430.2	1,297.9
Total assets	1,392.2	1,280.1	1,189.5	1,183.4	1,116.8
Long term debt	388.0	350.6	305.3	313.6	322.6
Equity of Canada	821.1	746.7	716.7	713.9	666.3
Capital Expenditures	\$ 139.4	\$ 68.4	\$ 80.1	\$ 72.0	\$ 67.7
Federal capital financing					
Grants	\$ 2.5	\$ –	\$ 0.2	\$ 0.5	\$ 13.0
Payments to Canada					
Dividends	\$ 6.2	\$ 6.8	\$ 6.3	\$ 8.6	\$ 9.2
Cash contributions	–	–	–	35.0	–
Employees					
Average number of employees	959	937	991	1,041	1,162
Ratios					
Operating revenue/tonne	\$ 1.20	\$ 1.17	\$ 1.15	\$ 1.24	\$ 1.26
Tonnes/employee	204,751	209,906	199,474	165,004	149,056
Cash from operating activities/total assets	7.3%	6.7%	7.3%	6.1%	6.6%
Debt : Equity ratio	47:53	47:53	43:57	44:56	48:52

* To conform to the current year's presentation and also to reflect a change in accounting policy at one of the ports, some of the 1995 financial figures were adjusted.

** Other income (expenses) for the year 1993 were adjusted to conform to the other years' presentation.



Canada Ports Corporation 1996



*excludes Ridley Terminals Inc.

Joint Message from the Acting Chairman of the Board and the Acting President and Chief Executive Officer

4

In 1996, the resources of the Canada Ports Corporation (CPC) were focused on two distinct and separate activities; the corporate transition set in motion by the introduction of Bill C-44, the *Canada Marine Act*, and the continuing necessity to manage the Corporation on a commercial basis, ensuring that the responsibilities and accountabilities of the Corporation were met under its existing legislative mandate. This situation, at times paradoxical, proved to be a challenge for Board Members and employees alike.

Bill C-44, tabled for First Reading in the House of Commons on June 10, 1996, proposed immense change for the port community through the creation of autonomous Canadian Port Authorities at successful commercial ports, the divestiture of ports to other management groups, the closure of unnecessary port facilities, and the dissolving of the Canada Ports Corporation and its Board of Directors. The marine policy also called for the disbandment of the Ports Canada Police force.

These policy initiatives, linked with the progress made in moving Bill C-44 through the legislative process, required that the Canada Ports Corporation take the necessary steps, within the Corporation, to ensure the smooth transition to the new era of Canadian port administration.

Although Transport Canada had been assigned the lead role in the development of the marine policy and legislation and the management of the legislative approval process, the Canada Ports Corporation remained an essential resource in terms of providing information and expertise in a number of areas, including the drafting of new legislation and regulations, and the divestiture of divisional ports.

In December 1996, the Minister of Transport advised the ports of Trois-Rivières, Sept-Îles and Saguenay that upon passage of Bill C-44, they would receive Canada Port Authority status. At year's end, no decision had been made on the submission by the Port of Belledune for Canada Port Authority status.

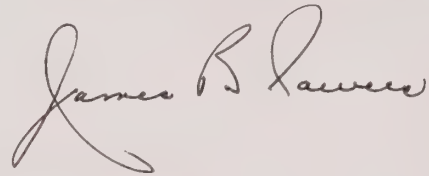
Change not only affects policy and legislation, but also the Corporation's employees as well. The Canada Ports Corporation Board of Directors, recognizing that the proposed legislation would disrupt the personal lives and professional careers of employees, particularly those at National Office in Ottawa, established an employee severance program as well as a career management program to assist employees in their own career transition requirements. The Corporation also began to develop a transition plan to guide the overall closure of the Corporation and the transfer of continuing requirements and services to other responsibility centres within the government and port system.

In addition to managing change, the Board of Directors and staff were acutely aware that the Corporation's responsibilities and accountabilities had not changed and were still in place. This resulted in continuing efforts to manage the Corporation on a commercial basis, improving the financial and operational performance of ports while responding effectively and efficiently to customer needs. The ports' corporate plans and capital budgets were thoroughly reviewed in light of short and long-term port requirements. Through its system-wide activities, the Corporation ensured that its responsibilities to the shareholder were properly discharged as prescribed in legislation.

Divisional ports and Ridley Terminals Inc. continued to play an integral role in their regional economies and transportation networks with total traffic of 36.5 million tonnes, operating revenue of \$59 million, net income of \$13.2 million and capital expenditures of \$11.9 million.

In accordance with our statutory obligations, we can report to the Board of Directors and the shareholder, the Government of Canada, that the Corporation achieved considerable and measurable results in 1996 in pursuing its objectives through appropriate strategies and that necessary procedures and controls are in place to ensure the safeguarding of the Corporation's assets.

The year 1996 was indeed another challenging one. However, the challenges were met with a corporate-wide professionalism that reflected the dedication of all CPC employees. On behalf of the CPC Board of Directors, we sincerely recognize this contribution. We also acknowledge the support of our shareholder, as well as the advice and guidance of the CPC Board of Directors. Canadian ports remain essential to the well-being of the country, and amidst ongoing change, the Corporation remains committed to providing the levels of service necessary to meet the requirements of the ports and their customers.



James B. Powers
Acting Chairman of the Board



D.N. Morrison
Acting President and Chief Executive Officer

Canada Ports Corporation is made up of eight non-corporate ports, referred to as divisional ports, and its wholly-owned subsidiary, Ridley Terminals Inc., a bulk handling terminal. The divisional ports are located in Belledune, New Brunswick; Sept-Îles, Trois-Rivières and Port Saguenay/Baie des Ha! Ha! in Quebec; Port Colborne and Prescott in Ontario; and Churchill in Manitoba. Ridley Terminals Inc. (RTI) which specializes in handling coal, is located at the Port of Prince Rupert, British Columbia. The divisional ports and RTI play a key role in the economy. Industries are dependent on the facilities provided and these ports are often the primary link in both national and international markets.

Dry bulk traffic handled by the Canada Ports Corporation includes iron ore, aluminum ores, such as alumina and bauxite, grain and coal. Liquid bulk traffic is made up primarily of petroleum products while forest products are examples of general cargo. The divisional ports and RTI constitute an integral part of the total Ports Canada system.

In 1996, the divisional ports, excluding RTI, handled a total of 31.2 million tonnes of cargo, a three percent decrease from the 32.2 million tonnes reported in 1995. This total represents 17 percent of the 185.2 million tonnes handled by the Ports Canada system in 1996, which has been fairly constant in recent years. With RTI traffic and that of divisional ports combined, total Canada Ports Corporation traffic was 36.5 million tonnes in 1996, down four percent from the 38.1 million tonnes handled in 1995.

At the Port of Belledune, total port traffic decreased by 13 percent to 1.4 million tonnes in 1996 from the record high of 1.6 million tonnes in 1995. Coal traffic fell to 883,000 tonnes from 1.2 million tonnes in the previous year, as a result of the high inventory level at the start of 1996. Although the port lost its traditional phosphate rock traffic caused by the permanent closing of the Belledune Fertilizer Plant in 1996, other traffic experienced rapid growth. Gypsum traffic surged to 116,000 tonnes in 1996 from a low of 4,000 tonnes in the previous year. Lead and zinc concentrates traffic amounted to 159,000 tonnes, up from 47,000 tonnes in 1995.

The Port of Churchill reported total traffic of 336,000 tonnes in 1996, up from 270,000 tonnes in 1995. Grain traffic, which increased by 78,000 tonnes to reach 305,000 tonnes, accounted for the increase in total port traffic.

There was no waterborne traffic at Port Colborne during the year compared with one vessel call in 1995 carrying 14,000 tonnes of grain. The elevator at the port, which is mainly used in the Ontario feed grain market, reported an 11 percent decrease in throughput to 196,000 tonnes in 1996 from 220,000 tonnes in the previous year. These throughput figures include truck, rail and vessel shipments and receipts.

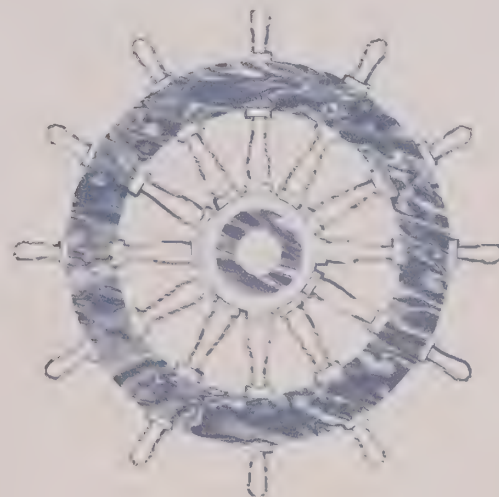
At the Port of Prescott, total waterborne traffic in 1996 recorded a 23 percent decrease to 432,000 tonnes from 562,000 tonnes in 1995. This was due to the significant drop in grain handling from 268,000 tonnes in 1995 to 120,000 tonnes in 1996. Salt traffic recorded a slight increase of 2,000 tonnes during the year to reach 158,000 tonnes. Total aggregate traffic rose to 154,000 tonnes from 138,000 tonnes the previous year.

Traffic at Port Saguenay facilities registered a 21 percent decline to 297,000 in 1996 from 376,000 tonnes in 1995, primarily due to lower salt and logs traffic. The neighbouring facility at Baie des Ha! Ha! experienced a seven percent increase in traffic to 3.8 million tonnes in 1996. The primary reason for the higher handling activity was increased bauxite and alumina imports, which returned to a more normal level of 3.1 million tonnes in 1996 from a low of 2.8 million tonnes in the previous year. Total traffic at the twin ports of Port Saguenay/Baie des Ha! Ha! increased by four percent to 4.1 million tonnes in 1996 from 3.9 million tonnes in 1995.

The Port of Sept-Îles, which accounts for about three-quarters of the total divisional ports traffic, experienced a three percent decrease in traffic to 22.6 million tonnes in 1996. This was due primarily to lower iron ore shipments and vessel-to-vessel transshipment of coal during the year. Iron ore shipments, which represent 89 percent of the total traffic handled at the port, stood at 20.2 million tonnes in 1996 as compared with 20.5 million tonnes in 1995.

The Port of Trois-Rivières had another strong traffic performance during 1996, reaching 2.3 million tonnes. Although this traffic level was 11 percent lower than the record high of 2.6 million tonnes reached in 1995, it surpassed the previous high level of 2.2 million tonnes reached in 1987. The strong performance in 1996 was primarily due to higher traffic levels in clinker, cement, pitch, liquid kaolin and forest products. Grain traffic, which decreased to 804,000 tonnes in 1996 from 1.1 million tonnes in 1995, was still higher than the traffic levels recorded in recent years.

Total shipments through Ridley Terminals Inc. recorded a decrease of 11 percent to just under 5.3 million tonnes in 1996 from 6.0 million tonnes in the previous year. Total coal shipments amounted to 5.2 million tonnes, down nine percent from 5.7 million tonnes handled in 1995. This was largely attributable to the timing of vessel arrivals and mining production problems.



The financial overview of the Canada Ports Corporation includes the financial results of the wholly owned subsidiary Ridley Terminals Inc. (RTI). Port financial performance in 1996 depended in large part on both the volume and mix of cargo handled. Traffic decreased slightly for the year and the decline had an impact on operating results.

Principal Operations

The principal operations of the Canada Ports Corporation are defined by the activities of the divisional ports and RTI.

Revenue from Operations

Revenue from operations in 1996 was, at \$59 million, down two percent from the 1995 level of \$60.1 million. RTI generated 58 percent of the Corporation's operating revenues. RTI's decrease of \$2 million below 1995 is due to production difficulties of a major customer. The Port of Churchill is mainly accountable for the \$900,000 increase in revenue generated by the divisional ports. Successful Canadian Wheat Board sales had a positive impact on that port's grain services revenues.

Operating Expenses

Operating expenses at \$33.3 million were down \$0.6 million or two percent in comparison to 1995. The decline is mainly attributable to a decrease in RTI's equipment repairs expenses.

Income from Operations

Income from operations at \$25.8 million was down by \$0.4 million or 1.5 percent below 1995. It primarily includes the operating income of RTI, the ports of Belledune, Sept-Îles and Trois-Rivières with \$18.2 million, \$3.6 million, \$3 million and \$1.1 million respectively. The drop however, is the result of lower revenues at RTI, as explained above.

Investment Income

Investment income of \$4 million was down by five percent compared to 1995 due to the lower yields obtained in 1996, and partly offset by higher investment bases at most of the divisional ports and RTI.

Interest Expense

Interest expense of \$17.5 million decreased slightly from last year mainly because of rate reductions under the revolving credit facility for RTI. This was partially offset by an increase at the Port of Belledune due to new borrowings for the Mixed Cargo Terminal project.

Parliamentary Appropriation

In 1996, a grant of \$1 million was received from the Government of Canada to assist in defraying the Port of Churchill's anticipated operating deficit for the 1996 season.

Net Income

Net income at \$13.2 million was up by \$1.9 million when compared with 1995. The increase is mainly attributable to the grant of \$1 million to the Port of Churchill and because the Port of Prescott and Port Colborne did not have worker's compensation benefits expenses in 1996 compared to \$0.5 million and \$0.7 million respectively in 1995. Excluding these unusual items, net income was down by \$0.4 million when compared to 1995. The decline is mostly due to the higher interest expense at the Port of Belledune caused by the new borrowings made for the Mixed Cargo Terminal project.

Dividend to Canada

In 1996, the Corporation paid a dividend to Canada of \$316,000 based on the 1995 results.

Interport Loan Fund

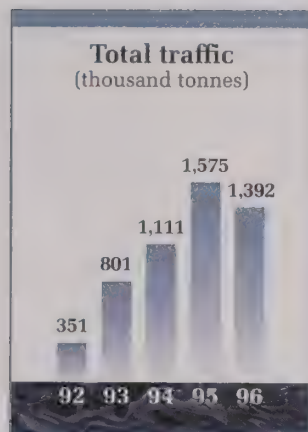
The Fund was established by Canada in 1989 to provide funding for financially viable capital projects for all ports in the Ports Canada system. In 1996, the Port of Québec Corporation's debt of \$6.3 million was forgiven and applied against Canada's investment in the Fund, decreasing it from \$50 million to \$43.7 million. During 1996, the Fund advanced \$5.9 million to the Port of Belledune for a capital project. It also paid a dividend to Canada of \$5.3 million based on the 1995 results.

Capital Investments

In 1996, the Corporation invested a net \$11.9 million in the construction of new facilities and for the improvement of existing ones. The major expenditures were the \$8.7 million spent at the Port of Belledune for the Mixed Cargo Terminal project and the \$2.4 million spent at the Port of Sept-Îles for various capital projects. The capital investments were financed by borrowings from the Interport Loan Fund, internally generated funds and by capital grants of \$2.5 million for the project at the Port of Belledune.



Port of Belledune



The Port of Belledune is situated on the south-shore of the Baie des Chaleurs, in northeastern New Brunswick. A deep water port open to shipping year-round, the port traditionally has handled liquid and dry bulk cargo at its two wharfs. However in 1996, operations began at the new Belledune Mixed Cargo Terminal which is scheduled for completion in 1997.

In 1996, Noranda Mining and Exploration permanently closed the Belledune Fertilizer Plant, one of the port's main customers in handling phosphate rock and fertilizer traffic. In addition, the port had a high level of coal inventory at the start of the year which resulted in a decline in dry bulk traffic. These factors contributed to a 13 percent decline in total tonnage in 1996 to 1.4 million tonnes from its record in 1995 of 1.6 million tonnes.

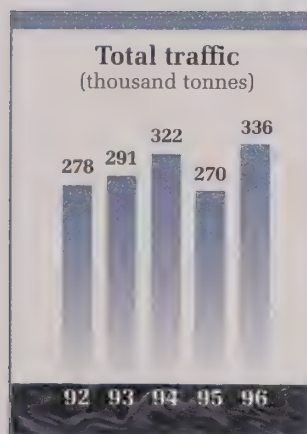
Dry bulk traffic totalled 1.3 million tonnes in 1996, a decrease of 18 percent

from the 1.5 million tonnes handled in the previous year. On a positive note, liquid bulk traffic increased 55 percent from 93,473 tonnes in 1995 to 144,820 tonnes. General cargo increased 100 percent from 2,785 tonnes in 1995 to 5,586 tonnes in 1996.

The Port of Belledune recorded another strong year with operating revenues of \$5.1 million, an increase of four percent over the 1995 total of \$4.9 million. Operating expenses increased 15 percent for the year to reach \$1.5 million from \$1.3 million in 1995. The Port of Belledune's net income in 1996 was \$897,000 compared to \$1.5 million in the previous year.

At the end of the year, the Port of Belledune had invested \$17.4 million for construction of the new terminal. Interest during the construction phase is accounted for as an operating expense.

Port of Churchill



The Port of Churchill, located on the western shore of Hudson Bay, continued its primary role of exporting western Canadian grain. This year marked the 67th year that grain was shipped through the elevator. In addition, the port has the important function to re-supply the northern communities in the Keewatin region of the Northwest Territories.

The 1996 navigation season ended on October 27, 1996, when the MV Jamno departed for Egypt loaded with 14,000 tonnes of wheat. Total port traffic amounted to 336,000 tonnes during the year, up from 270,000 tonnes in 1995.

Twelve grain ships visited the port during the shipping season carrying 305,000 tonnes of wheat destined for Brazil, Mexico, Colombia and Africa. The grain tonnage accounted for 91 percent of total port traffic. Northern re-supply operations totalled 31,500 tonnes during the year consisting primarily of petroleum products, building materials, vehicles, equipment and other essential supplies.

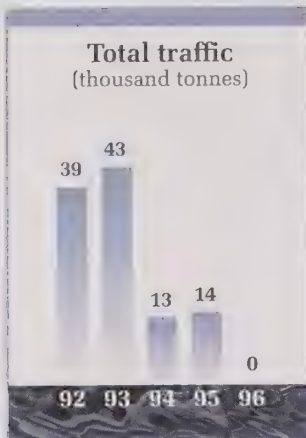
Tourism continued to be an important activity at the Port of Churchill. One cruise vessel carrying a total of 104 passengers called at the port in August.

The Port of Churchill appears to be in a better position than ever during the past decade to benefit from its strategic

location as Canada's northern-most grain export port. A number of recent developments makes this positive outlook possible. The elimination of the *Western Grain Transportation Act* subsidy makes Churchill the most cost effective export port for a greater number of shippers. The introduction of hopper car unit trains on the Hudson Bay rail line during the 1997 shipping season will make it much easier to attract additional grain traffic. Under the proposed *Canada Marine Act*, the port is being divested to a private rail operator, who proposes to operate the port and the rail line as an integrated operation, and therefore, create the operating synergy for the future success of the port.

The financial situation at the port continued to improve during 1996 as compared with previous years. The port reported operating revenues of \$4.6 million for the year, up sharply from \$3.7 million in 1995. Operating expenses stood at \$4.5 million compared to \$4.0 million in 1995. For the first time in ten years, the port reported a positive operating income of \$90,000 during the year as compared to an operating loss of \$341,000 in 1995. The positive operating performance along with a funding appropriation of \$1 million, produced a net income of \$968,000 for 1996.

Port Colborne



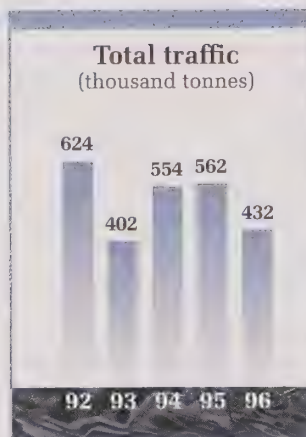
Located at the southern entrance to the Welland Canal on Lake Erie, Port Colborne specializes in the handling of domestic grain. In 1986, the Canada Ports Corporation leased the grain elevator to Goderich Elevators Limited under the terms of a twenty-year agreement. In an effort to diversify operations, a portion of the port's waterlot was leased to the City of Port Colborne to operate the Sugarloaf Harbour Marina. The marina serves transient and seasonal craft and includes repair facilities, as well as a restaurant.

Waterborne traffic represents only a small percentage of total tonnage, while rail and truck movements account for the bulk of the handlings. There was no waterborne traffic at Port Colborne in 1996 compared with one vessel call in

1995. A total of 128,000 tonnes of grain were moved by truck and 68,000 tonnes by rail for a total of 196,000 tonnes in 1996, down slightly from 206,000 tonnes handled by the same modes of transportation in 1995.

Operating revenues totalled \$147,000 in 1996, compared to \$150,000 in the previous year. However, operating expenses also decreased from \$163,000 in 1995 to \$141,000 in 1996. This resulted in a year end operating profit of \$7,000 compared to an operating loss in 1995 of \$13,000. Investment income of \$399,000 provided the port with a net income of \$405,000 in 1996, as compared to a net loss of \$313,000 in 1995.

Port of Prescott



The Port of Prescott is located on the St. Lawrence River, 100 kilometers south of Ottawa and 200 kilometers west of Montréal. With its harbour at seaway depth, the port is the only major marine grain elevator for public use in eastern Ontario. The port is well served by major highways, including Highway 401 and national railways, which provide the port with good access to Toronto, Montréal and the state of New York.

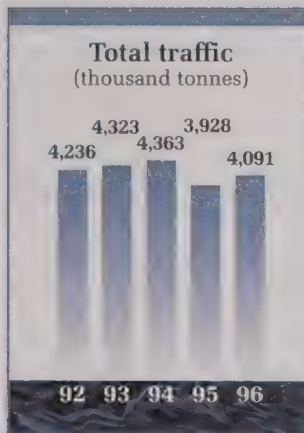
While the primary commodity handled is grain, the port has diversified to other commodities, such as aggregate and salt. It also leases land for other port and non-port activities including a marina, feed mill and cottage lots. The port operates year-round, although vessel traffic stops from late December to early March.

The Port of Prescott had 24 vessels calls during the year and handled 432,000 tonnes of cargo, down 23 per cent from the 1995 total of 562,000 tonnes. Salt tonnage increased 2,000 tonnes to 158,000 tonnes in 1996, while waterborne grain traffic slipped from 268,000 tonnes in 1995 to 120,000 tonnes. However, aggregate traffic jumped from 138,000 tonnes in the previous year to 154,000 in 1996.

Operating revenues rose in 1996 to \$3.1 million from \$3.0 million in the previous year. Operating expenses increased from \$3.1 million in 1995 to \$3.3 million in 1996, resulting in an operating loss for the year of \$200,000. Investment income of \$1.3 million in 1996 provided the port with a net income of \$1.1 million, up from \$654,000 in 1995.



Port Saguenay/Baie des Ha! Ha!



Port Saguenay/Baie des Ha! Ha! is located on the Saguenay River, approximately 54 nautical miles north of its junction with the St. Lawrence River. The port plays a key role in the local economy and provides vital services in the region's resource-based industries of pulp and paper, lumber and aluminum production.

Total traffic handled at Port Saguenay in 1996 was down by 21 percent to 297,000 tonnes from 376,000 tonnes in 1995. The decrease was due to lower salt traffic and the loss of lumber production during the year.

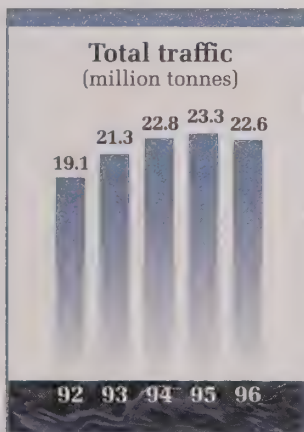
Alcan Aluminum Limited owns and operates the private wharf facilities at Baie des Ha! Ha! which handle raw materials for the company's own use. In 1996, total traffic increased seven percent to 3.8 million tonnes from 3.6 million tonnes in 1995. Overall traffic at Port Saguenay/Baie des Ha! Ha! increased by four percent to reach

4.1 million tonnes during the year from 3.9 million tonnes in 1995.

Operating revenues for Port Saguenay totalled \$1 million, a nine percent decrease from the \$1.1 million in 1995. As well, operating expenses decreased in 1996 to \$850,000 from \$926,000 in the previous year. The port reported operating income of \$169,000 during the year compared to \$161,000 in 1995. Investment income of \$490,000 and its operating income enabled the port to post a net profit of \$659,000, up from \$653,000 in 1995. Capital expenditures totalled \$29,000 in 1996 compared with \$409,000 in 1995.

At Baie des Ha! Ha!, total operating revenues increased to \$162,000 from \$158,000 in 1995. Operating expenses decreased from \$113,000 in 1995 to \$93,000 leading to a net operating income in 1996 of \$69,000. Net profit for the year was \$126,000 compared to a net profit of \$105,000 in 1995.

Port of Sept-Îles



The Port of Sept-Îles is a deep water port located on the north shore of the Gulf of St. Lawrence, 650 kilometers east of Québec City. The port consists of a large natural basin with a water depth of more than 80 meters, open to year-round navigation. It is the largest iron-ore port in Canada and serves the mining industry of Quebec and Labrador.

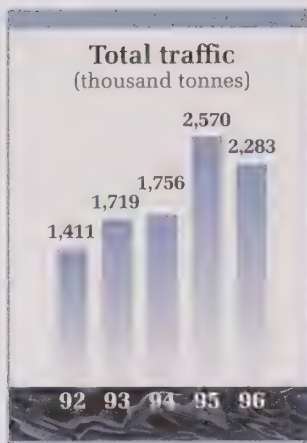
In 1996, total port traffic was 22.6 million tonnes, down three percent from 23.3 million tonnes handled in 1995. Iron ore totalled 20.2 million tonnes, down slightly from 20.5 million tonnes in the previous year. Although it accounts for almost 90 percent of total traffic, iron ore represents only approximately 10 percent of total revenues.

During the year, 1.8 million tonnes of cargo was handled at the port's facilities, down from 2.2 million tonnes in the previous year. Transhipment of coal

and coke breeze declined during the year to 414,000 tonnes compared to 801,000 tonnes in 1995.

Continuing efforts have been made to increase the port's traffic level and diversify Pointe-Noire's traffic base, particularly with the development of the new rail-car ferry service.

Financial results for the year show operating revenues of \$7.3 million, down from \$7.4 million in 1995. Operating expenses for 1996 were \$4.3 million, approximately the same level as reported in 1995. This resulted in a slight decrease in operating income from \$3.0 million in 1995 to \$2.9 million in 1996. The cost of financing the port debt in 1996 was \$2.8 million. This was partially offset by investment income of \$601,000 which resulted in the port recording a net income of \$717,000 compared with \$932,000 in 1995.



Port of Trois-Rivières

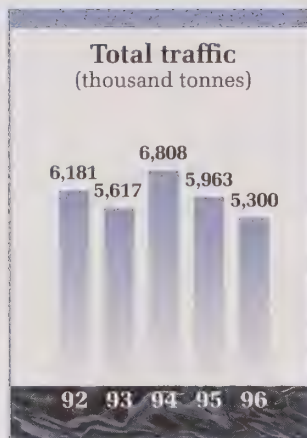
Strategically located halfway between Montréal and Québec City, on the north shore of the St. Lawrence River, the Port of Trois-Rivières offers an extensive range of facilities and services to the shipping industry. The port has traditionally handled forest products, grain exports, alumina transshipments and other liquid and dry bulk products. However, the port is undergoing major changes and increasingly more of its users are from outside the region.

As part of its on-going and innovative quality program, the Port of Trois-Rivières received the ISO-9002 certification in 1996, the first port in North America to obtain such accreditation.

Total tonnage handled in 1996 was 2.3 million tonnes, down from 2.6 million tonnes in 1995. The decrease was attributed to a 29 percent drop in grain exports to 800,000 tonnes from 1.1 million tonnes in the previous year. Liquid

bulk products such as clinker, oil, gas and other forest products helped the port generate comparable financial results in 1996 despite a decrease in total traffic.

Operating revenues declined in 1996 to \$3.3 million or six percent from \$3.5 million in 1995. Off-setting the operating revenue decline was an 11 percent decrease in operating expenses to \$2.2 million in 1996. Investment income remained essentially constant at the 1995 level of \$900,000. Net income for 1996 increased by three percent to a record of \$2.0 million.



Ridley Terminals Inc.

Ridley Terminals Inc. (RTI) is located on a 55-hectare site on the northern end of Ridley Island, at Prince Rupert, B.C. The terminal is a sophisticated bulk-handling facility used for moving coal from unit trains onto ships. Deep-water bulk carriers have year-round ice-free access to a large natural harbour that is sheltered by a ring of outer islands.

The terminal has a capacity to ship approximately 16 million tonnes of coal a year. Access to the facility, from the main CN North America rail line, is accomplished by means of a three-track, 2,200 meter causeway.

In 1996, 5.3 million tonnes of cargo moved through the terminal, down from 6.0 million tonnes in 1995. Coal shipments through RTI decreased by nine percent in 1996 and petroleum coke shipments were down to 137,000 tonnes from 273,000 tonnes in 1995.

As explained in Note 3 of the financial statements, RTI has made a change in accounting policy with respect to the recognition of shortfall revenues. As a result, some of the 1995 financial numbers have been restated.

Operating revenues for the year were \$34.5 million, down from \$36.5 million in 1995. Operating expenses totalled \$16.3 million during the year, down from \$17.5 million in the previous year. Interest expense on the debt for the construction of the terminal amounted to \$11.9 million in 1996 and \$12.7 million in 1995. As well, RTI repaid \$8.0 million of debt in 1996, up from \$6.1 million in the previous year. Net income for 1996 was unchanged at \$6.4 million.

Auditors' Report

**To the Honourable David Anderson, P. C., M. P.,
Minister of Transport**

We have audited the balance sheet of Canada Ports Corporation as at December 31, 1996 and the statements of income and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of

the Corporation as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Arthur Andersen & Co.

Chartered Accountants
Ottawa, Ontario
March 3, 1997

Balance Sheet

	1996	1995
<i>As at December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Assets		
Current:		
Cash	\$ 988	\$ 2,567
Short-term investments (Note 4)	40,498	29,642
Accounts receivable	10,280	9,282
Due from Canada	—	1,921
Materials and supplies	2,878	2,875
	54,644	46,287
Investments (Note 4)	16,900	16,836
Capital assets (Note 5)	108,077	103,329
	179,621	166,452
Interport Loan Fund (Note 10)	91,979	98,648
	\$ 271,600	\$ 265,100
Liabilities		
Current:		
Accounts payable and accrued liabilities (Note 6)	\$ 20,048	\$ 15,731
Due to Interport Loan Fund (Note 7)	2,030	1,722
	22,078	17,453
Accrued employee benefits	2,080	1,913
Deferred revenues	—	295
Due to Interport Loan Fund (Note 7)	63,599	59,729
Long-term debt (Note 8)	171,780	179,863
	259,537	259,253
Contingencies (Notes 13 (c), 14 and 15)		
Deficiency of Canada:		
Contributed capital	111,672	111,672
Deficit (Note 9)	(191,588)	(204,473)
	(79,916)	(92,801)
	179,621	166,452
Interport Loan Fund (Note 10)	91,979	98,648
	\$ 271,600	\$ 265,100

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

James B. Powers

James B. Powers
Acting Chairman

J. Ron Longstaffe

J. Ron Longstaffe
Director

Canada Ports Corporation

Statements of Income and Deficit

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Revenue from operations	\$ 59,026	\$ 60,135
Operating and administrative expenses	26,140	26,658
Depreciation	4,580	4,597
Municipal grants and taxes	2,542	2,675
	33,262	33,930
Income from operations	25,764	26,205
Investment income	3,969	4,162
Interest expense	(17,532)	(17,738)
Parliamentary appropriation (Note 12)	1,000	—
Net income for the year before the undernoted item	13,201	12,629
Workers' compensation benefits	—	(1,283)
Net income for the year	13,201	11,346
Deficit at beginning of the year:		
As previously reported	(207,147)	(216,759)
Change in accounting policy (Note 3)	2,674	1,111
As restated	(204,473)	(215,648)
Dividend to Canada	(316)	(171)
Deficit at end of the year	\$(191,588)	\$(204,473)

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Financial Position

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Operating Activities		
Net income for the year	\$ 13,201	\$ 11,346
Items not affecting cash:		
Depreciation	4,580	4,597
Other	(23)	(600)
Net change in non-cash components of working capital	3,221	(2,363)
Cash provided by operating activities	20,979	12,980
Financing Activities		
Capital grants	2,500	—
Changes in amount due from Canada	1,921	(913)
Transfers from Interport Loan Fund	5,900	10,145
Repayment of transfers from Interport Loan Fund	(1,722)	(1,340)
Issuance of long-term debt	9,000	11,434
Repayment of long-term debt	(17,077)	(17,607)
Dividend paid to Canada	(316)	(171)
Cash provided by financing activities	206	1,548
Investing Activities		
Additions to capital assets	(11,934)	(9,938)
Change in construction payables	90	(445)
Decrease (increase) in long-term investments	(64)	1,578
Cash required by investing activities	(11,908)	(8,805)
Increase in cash and short-term investments	9,277	5,723
Cash and short-term investments at beginning of year	32,209	26,486
Cash and short-term investments at end of year	\$ 41,486	\$ 32,209

The accompanying notes are an integral part of these financial statements.

1. *Canada Ports Corporation Act*

Canada Ports Corporation (the Corporation) was established under the *Canada Ports Corporation Act* (the *Act*), to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council. The Corporation is named in Part II of Schedule III of the *Financial Administration Act* and is exempt from income tax.

The Corporation has direct responsibility for operating eight divisional ports and has a wholly-owned subsidiary, Ridley Terminals Inc. (RTI), a coal terminal facility at Prince Rupert. The *Act* provides for the establishment of local port corporations to manage and operate additional selected ports. The *Act* also charges the Corporation with certain responsibilities respecting these ports, particularly concerning capital projects. In addition, the Corporation administers the Interport Loan Fund on behalf of itself and the local port corporations.

On June 10, 1996 Bill C-44, *Canada Marine Act*, received First Reading in the House of Commons. This proposed *Act* repeals the *Canada Ports Corporation Act* and dissolves the Corporation whose assets and obligations are to devolve to the Crown under the administration of the Minister of Transport (see note 15).

2. *Significant Accounting Policies*

(a) *Financial statements*

The financial statements of the Corporation include the accounts of the divisional ports under its administration and of RTI. The activities of the local port corporations are excluded from the financial statements from the date of their establishment. As the earnings of the Interport Loan Fund do not automatically accrue to the Corporation, the assets, liabilities, revenues and expenses of the Fund are not consolidated (see note 10).

(b) *Investments*

The short-term investments are carried at the lower of amortized cost, whereby premiums or discounts from par value are amortized over the periods to maturity, or market. Long-term investments are carried at the lower of amortized cost or market if a permanent decline in value exists.

(c) *Materials and supplies*

Materials and supplies consist of supplies, consumables and repair parts. They are valued at the lower of cost or market.

(d) *Capital assets*

Capital assets are recorded at cost, with the exception of those transferred to the Corporation from Canada. The assets transferred from Canada are recorded at appraised or fair market value established at the time of transfer. Government grants received towards capital projects are deducted from the cost of the related capital assets.

Depreciation of capital assets is calculated on the straight-line basis commencing with the year the asset becomes operational, using rates based on the estimated remaining useful life of the assets.

(e) *Pension plans*

Employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Under present legislation, contributions made by the Corporation to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account. Employees of RTI are covered separately by a contributory defined-benefit plan.

(f) *Municipal grants and taxes*

The expense for municipal grants and taxes is based on estimated municipal assessments, adjusted in accordance with the *Municipal Grants Act* where applicable. Municipal grants are finalized after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization of the grants are reflected in the accounts in the year of settlement.

(g) *Employee benefits*

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees under its collective agreements, or in accordance with its policy.

(h) *Revenue recognition*

Revenue is recognized as the related services are provided. RTI's coal throughput revenue is recorded at 50 percent of the contracted throughput rate at the time the coal is received at the terminal, with the balance being recorded at the time of ship loading. RTI's throughput agreements with its two main customers are in place until March 31, 1998 and March 31, 1999. These agreements provide for guaranteed delivery of an annual minimum tonnage to the terminal and under the terms of one of the agreements, shortfall payments may be required on a quarterly basis subject to a final adjustment at the end of the coal year (April 1 to March 31). Revenues resulting from any estimated shortfall in tonnage are recognized in the current year. Any difference between estimated shortfall revenue and required payments is recorded as account receivable or an accrued liability.

3. *Change in Accounting Policy*

During the year RTI changed its revenue recognition accounting policy to record estimated shortfall revenue in the current year. In prior years no shortfall revenue was recognized until the end of the coal year (April 1 to March 31) when the actual amount of shortfall revenue was known. This change has been applied retroactively. The opening deficit as at January 1, 1995 decreased by \$1,111,000 as a result of recording estimated shortfall revenue in prior periods. The effect of this change in accounting policy has been to increase net income for the year ended December 31, 1996 by \$562,000 (1995 – \$1,563,000).

Notes to the Financial Statements

Year ended December 31, 1996

4. Investments

Short-term investments consist of \$40,498,000 of Canada treasury bills (1995 – \$29,642,000). As at December 31, 1996 and 1995, the market value of the short-term investments approximates their amortized cost.

Long-term investments of \$16,900,000 (1995 – \$16,836,000) are Canada bonds and as at December 31, 1996, their market value is \$21,469,000 (1995 – \$21,014,000).

5. Capital Assets*(a) Summary*

d) Summary

		1996		1995	
(in thousands of dollars)					
	Depreciation Rates	Cost or Appraised Value	Accumulated Depreciation and Write Downs	Net	Net
Land	—	\$ 7,363	\$ —	\$ 7,363	\$ 6,682
Dredging	2.5 – 6.7%	16,123	10,123	6,000	6,168
Berthing structures	2.5 – 10%	51,211	26,844	24,367	24,639
Buildings	2.5 – 10%	34,537	15,646	18,891	19,420
Coal terminal facility	4 – 33%	22,513	4,414	18,099	19,002
Utilities	3.3 – 10%	8,562	3,523	5,039	5,355
Roads and surfaces	2.5 – 10%	5,878	3,745	2,133	2,477
Machinery and equipment	5 – 100%	31,326	22,863	8,463	8,990
Office furniture and equipment	20 – 33%	4,054	3,898	156	505
Works under construction	—	17,566	—	17,566	10,091
		\$199,133	\$ 91,056	\$108,077	\$103,329

(b) Capital grants

In 1996, the Corporation has received capital grants towards the construction of capital assets totalling \$2,500,000 (1995 – \$0) of which \$1,500,000 was from the Government of Canada.

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are deferred revenues of \$665,000 (1995 – \$746,000), the current portion of long-term debt of \$83,000 (1995 – \$77,000) and the estimated termination costs upon dissolution of the Corporation of \$6,575,000 (1995 – \$0) of which \$404,000 has been expensed in the accompanying financial statements. The balance has been funded by transfers from the Interport Loan Fund and charges to the local port corporations. These termination costs include employee termination costs, but do not include lease termination costs (see Note 13(c)) nor other costs of dissolution (see Note 15).

Notes to the Financial Statements

Year ended December 31, 1996

7. Due to Interport Loan Fund

The Interport Loan Fund has provided long-term financing for the coal terminal and the mixed cargo terminal projects at the Port of Belledune and the Alouette project at the Port of Sept-Îles as follows:

	1996	1995
	<i>(in thousands of dollars)</i>	
(a) Transfers to the Port of Belledune bearing interest at 7.01% to 11.47%, repayable in blended annual instalments of principal and interest of \$3,985,000 and maturing between December 31, 2012 and 2015.	\$ 34,374	\$ 29,202
(b) Transfers to the Port of Sept-Îles bearing interest at 7.91% to 9.20%, repayable primarily in blended annual instalments of principal and interest of \$3,836,000 and maturing December 31, 2011.	31,255	32,249
	65,629	61,451
Less: Current portion	(2,030)	(1,722)
	\$ 63,599	\$ 59,729

Principal repayment requirements over the next five years amount to \$2,030,000 in 1997, \$2,209,000 in 1998, \$2,404,000 in 1999, \$2,616,000 in 2000 and \$2,847,000 in 2001.

8. Long-Term Debt

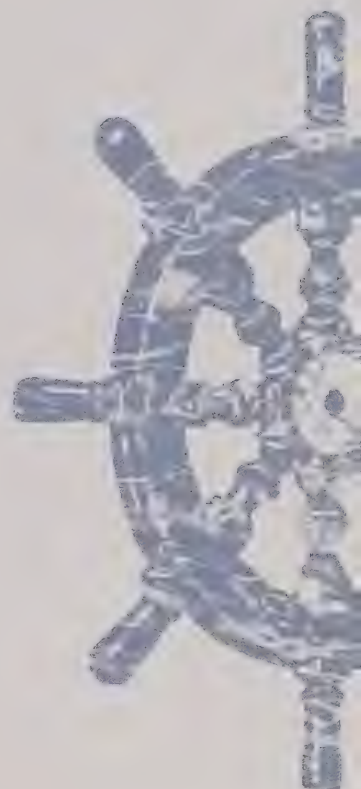
	1996	1995
	<i>(in thousands of dollars)</i>	
(a) Loan from Canada, bearing interest at 6.44%, repayable in twenty blended annual instalments of principal and interest of \$106,000 and maturing on December 31, 2000.	\$ 363	\$ 440
(b) RTI note, repayable on August 12, 1998, and bearing interest at 6.93% payable annually.	165,000	165,000
(c) RTI note, under a revolving credit facility, repayable by August 12, 1998, and bearing interest at Canadian inter-bank bankers' acceptance rate plus 0.20% payable at maturity of note.	6,500	14,500
	171,863	179,940
Less: Current portion	(83)	(77)
	\$ 171,780	\$ 179,863

Principal repayment requirements over the next four years amount to \$83,000 in 1997, \$171,588,000 in 1998, \$93,000 in 1999 and \$99,000 in 2000.

The debt of RTI which is with Export Development Corporation (EDC) consists of notes. Under the financing arrangement with EDC, the fixed rate note is repayable in 1998, while notes issued under the revolving credit facility, at variable rates, are repayable by August 12, 1998.

The revolving credit facility provides for notes to be issued up to an aggregate maximum of \$41 million. These notes may be for a term of one to twelve months and may roll over on maturity date with new face values and new interest rates, with final repayment of all amounts under the credit facility due on August 12, 1998. As at December 31, 1996, the interest rate on the note under the credit facility is approximately 3.3% (1995 - 6.3%).

The financing with EDC is guaranteed unconditionally by Canada to a maximum of \$230 million and is secured by a \$250 million collateral demand debenture over all present and future assets of RTI.



Notes to the Financial Statements

Year ended December 31, 1996

9. Deficit

At the incorporation of RTI in 1981, 50% of RTI was owned by the Corporation while the remaining 50% was owned by an unrelated party. The shareholders' agreement of RTI provided a condition for the unrelated party to sell its shares to the Corporation in 1991. On July 30, 1991, the Corporation purchased the remaining 50% ownership in RTI and RTI became a wholly-owned subsidiary of the Corporation. The share purchase of \$58.5 million was paid in cash and was fully financed by Canada. The excess of the purchase price, over the assets acquired of \$31.7 million less the liabilities assumed of \$229.1 million, resulted in a loss on acquisition of RTI of \$255.9 million which forms the most significant component of the deficit of the Corporation.

10. Interport Loan Fund

In 1988, authority was granted by Canada to the Corporation to establish an Interport Loan Fund (the Fund). This Fund is administered by the Corporation and was established to provide financing for financially viable capital projects of the Corporation and local port corporations. Financing is provided by way of transfers to divisional ports managed by the Corporation and by way of loans to local port corporations. Transfers and loans bear interest at the Crown corporation lending rate, the rate in effect from time to time between Canada and Crown corporations. Until December 31, 1994, earnings of the Fund were, pursuant to the terms and conditions under which the Fund was established, restricted to the uses for which the Fund was established. During 1995, the terms and conditions were amended to provide that the remaining earnings of the Fund of a year, after providing for the dividend to Canada, be transferred to the Corporation.

The balance sheet of the Fund as at December 31 shows:

	1996	1995
	<i>(in thousands of dollars)</i>	
Assets		
Current:		
Cash and investments	\$28,319	\$32,897
Transfers receivable	2,030	1,722
Loans receivable	—	175
	30,349	34,794
Transfers receivable	63,599	59,729
Loans receivable	—	6,143
Allowance for doubtful accounts	(1,969)	(2,018)
	\$91,979	\$98,648
Liability		
Current:		
Account payable	\$ 2,328	\$ 2,104
Fund Balance		
Contributed capital	70,332	76,650
Retained earnings	19,319	19,894
	89,651	96,544
	\$91,979	\$98,648

The investments of the Fund, shown at amortized cost, are direct and guaranteed securities of Canada. As at December 31, 1996 and 1995, the market value of the investments approximates their amortized cost.

In 1996, the forgiveness of the Port of Québec Corporation's debt of \$6.3 million was approved by the Government of Canada. In 1997, Treasury Board approved that this amount be applied against the Crown's investment in the Fund which is expected to be approved by the Government of Canada in March 1997. Accordingly, the debt forgiveness has been recorded as a reduction in the Fund's contributed capital.

In 1996, the Fund advanced \$5.9 million (1995 – \$10.1 million) to the Port of Belledune for a capital project.

The Fund is committed to provide financing of \$7.7 million in 1997 for a capital project at the Port of Belledune.

In accordance with the terms and conditions under which the Fund was established, the Corporation is required to pay a dividend from the Fund in respect of the 1996 fiscal year. This dividend, payable on March 31, 1997, amounts to approximately \$4.8 million and will be applied against the retained earnings.



The statement of income and retained earnings of the Fund is as follows:

	1996	1995
	<i>(in thousands of dollars)</i>	
Interest income	\$ 7,135	\$ 7,927
Operating and administrative expenses	56	497
Net income for the year	7,079	7,430
Retained earnings at beginning of the year	19,894	19,447
Dividend to Canada	(5,326)	(4,879)
Transfer to the Corporation	(2,328)	(2,104)
Retained earnings at end of the year	\$ 19,319	\$ 19,894

11. Pension Plans

As at December 31, 1996, the updated actuarial reports of RTI's contributory plan indicate that the actuarial present value of the accrued pension benefits amounts to \$8,563,000 (1995 – \$7,193,000) and the value of the pension fund assets, at market value, amounts to \$8,569,000 (1995 – \$6,675,000). RTI's pension expense for 1996 of \$652,000 (1995 – \$616,000) is actuarially determined.

12. Related Party Transactions

Through common ownership, the Corporation is related to all Government of Canada created departments, agencies and Crown corporations.

In accordance with the *Act*, operating and administrative costs incurred by the Corporation in the amount of \$4,230,000 have been recovered from the local port corporations in 1996 (1995 – \$5,356,000). These recoveries are offset against the related expenses. Operating expenses include rental costs of \$1,777,000 (1995 – \$1,889,000) charged by a local port corporation. At December 31, 1996, \$254,000 (1995 – \$466,000) of these rental costs are included in accounts payable and accrued liabilities. Also included in accounts payable and accrued liabilities is \$4,453,000 (1995 – \$4,493,000) of interest payable to EDC, a Crown Corporation (see note 8).

Investment income of \$3,891,000 (1995 – \$4,100,000) was earned on Canada securities and interest charges of \$29,000 (1995 – \$33,000) were paid to Canada. In 1996, a grant of \$1,000,000 was received from the Government of Canada to assist in defraying the Port of Churchill's anticipated operating deficit for the 1996 season.

Details of other transactions with the Government of Canada are disclosed in notes 4, 5(b), 8, 9, 10 and 13(b).

13. Commitments

(a) Contractual obligations for the completion, construction and purchase of capital assets are estimated at \$1,466,000 of which most will be expended in the year ending December 31, 1997.

(b) RTI leases from the Prince Rupert Port Corporation the land on which the coal terminal facility is constructed. The lease is for twenty-five years starting March 31, 1984, with a twenty-year renewal term beginning March 31, 2009. Lease payments are based on throughput charges per tonne which are subject to escalation provisions relating to increases in the Canadian Consumer Price Index for each year.

(c) The Corporation leases premises under an agreement which expires September 30, 2005. The future rent payable to the expiry date is approximately \$799,000 in 1997, \$681,000 in 1998, \$885,000 per year from 1999 to 2004 and \$663,000 in 2005. No provision has been made for future lease payments upon dissolution as the ultimate utilization of the premises is not determinable at this time.

(d) In accordance with Ports Canada policy respecting dividends to Canada, the Corporation is required to pay a dividend in respect of the 1996 fiscal year. This dividend, payable on March 31, 1997, amounts to approximately \$377,000 and will be applied against the Corporation's deficit.



Notes to the Financial Statements

Year ended December 31, 1996

14. Contingencies

Claims aggregating approximately \$5,639,000 in respect of lawsuits, guarantees, employee agreements, damages allegedly suffered on the Corporation's property and sundry other matters in dispute have been received by the Corporation but are not reflected in the accounts. In the opinion of the Corporation, the final outcome of such claims should not result in any material financial liability.

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in the future cannot reasonably be determined. Payments of sick leave benefits are included in current operations.

In the normal course of business, the Corporation is exposed to potential environmental issues. A contaminated soil situation has been identified at one of the divisional ports for which the removal and remediation costs are estimated at \$1,000,000. At this time, the Corporation has not determined the ultimate responsibility for the costs of remediation and therefore no provision has been recorded. The ultimate effect of other environmental matters is not determinable at this time, and as such, no provision has been made in the accompanying financial statements.

15. *Canada Marine Act*

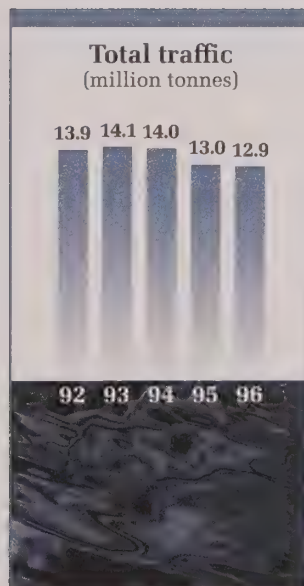
Under the proposed *Canada Marine Act*, each of the eight divisional ports becomes either a port authority or a public port as defined in the proposed *Act*. RTI is to become a Crown corporation after the dissolution of the Corporation and the Minister of Transport is named the appropriate minister for RTI for the purposes of the *Financial Administration Act*. The Corporation's present administrative office will be wound-up on the dissolution of the Corporation and the Corporation's remaining assets and obligations will devolve to the Crown under the administration of the Minister of Transport. The *Canada Marine Act* may be proclaimed and come into force during 1997, however, the precise date is not determinable at this time.

The effects of the dissolution of the Corporation are not fully known at this time. No provision has been made with respect to differences between the carrying values of assets and obligations and those values which may ultimately arise on the transfer of the eight divisional ports and RTI, as the differences, if any, are not determinable at this time. A provision for determinable amounts relating to the wind-up of the administrative office has been made (see notes 6 and 13(c)).





Halifax Port Corporation 1996



We are pleased to report on the financial results and operating activities of the Halifax Port Corporation (Corporation) for the year ended December 31, 1996.

Though cargo tonnage of 3.9 million tonnes handled at the Corporation's facilities in 1996 was down slightly from the total handled in 1995, comparing the two years can be misleading. In 1995, the Corporation was the recipient of cargo diverted to the Port of Halifax due to a strike at the Port of Montréal. In addition, in 1995 there was an extraordinary transfer of bulk cargo between vessels in the harbour. These were unusual situations that are not expected to be repeated in the future. If these extraordinary cargos are excluded, the increase in normal cargo in 1996 would be 5.5 percent. We believe the latter comparison more accurately reflects the Corporation's situation and confirms that the cargo growth trend that commenced in 1993 is firmly established.

The Corporation enjoyed an excellent cruise vessel season in 1996. The number of vessel calls was up by 18 percent to 46. The passenger count was up by 21 percent to 36,584. Nineteen ninety-six was the longest cruise vessel season on record for the Corporation with the first call occurring on April 22nd and the last one on October 25th.

Grain comprises the majority of the bulk cargo handled at the Corporation's facilities. The future for this cargo was given a major boost in 1996 with the agreement between the Corporation, the Halifax Grain Elevator Limited and the federal and provincial governments to jointly finance a \$5 million upgrade of the Halifax grain elevator facilities. The work will be carried out over the next few years with the Corporation contributing \$2.5 million. The Corporation played a major role in concluding this agreement. The alternative to carrying out the upgrades was to close the facility. Completion of the upgrade work will extend the useful life of the grain elevator facilities well into the next century.

In 1996, the Corporation achieved its major objectives which are to continuously increase its container volumes, expand its non-container revenue base, maintain financial self-sufficiency and increase the efficiency and functionality of its facilities.

Container volumes increased in 1996 compared with the previous year even though there was an extraordinary surge in container cargo in 1995 due to the Montréal long-shoremen's strike. Breakbulk cargo, grain and the cruise business all posted significant gains in 1996, further reducing the Corporation's reliance on the volatile container trade. Two major capital projects, the Redevelopment of Pier A and the Upgrading of the Halifax Grain Elevator, with a total estimated cost of \$10 million, were started in 1996. Completion of these projects will render the facilities more efficient. The reconfigured Pier A with its expanded open area and new shed facilities will have improved container handling capability and will better position the Corporation to compete for forest products cargo. Both of these projects are being financed through working capital. The Corporation's net income of \$3.1 million exceeded the previous years results by more than 73 percent. Funds from operations were \$5.6 million, up 19 percent over the previous year.

Capital expenditures in 1996 totalled \$5.4 million. In excess of one half of this amount was expended on the Pier A Redevelopment Project. The majority of the balance was

directed towards improving the current inventory of physical assets such as replacing a shed roof, roadway improvements, resurfacing, electrical and drainage improvements, etc. Capital expenditures in 1997 are expected to approach \$17.0 million highlighted by the reconstruction of the wharf face and brow at 9A, grain elevator upgrades, replacing the main drainage line at Pier C and resurfacing Pier A-1.

Total port cargo in 1996 was 12.9 million tonnes, down one percent from the previous year. The decline can be attributed primarily to the reduction in fuel oil handled at the local refineries. As this cargo is handled at private facilities, the reduction in volume has minimal, if any, impact on Corporation revenues.

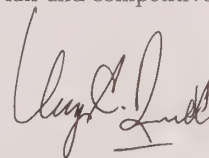
Containerized cargo over Corporation facilities grew by one percent in 1996 to 3.2 million tonnes. U.S. midwest cargo matched the 1995 level which was approximately 300 percent greater than that attained prior to the opening of the St. Clair Tunnel in 1995. Roll-on roll-off cargo decreased by two percent to 187,698 tonnes in 1996. Breakbulk cargo increased by nine percent compared with 1995 led by gains in sulphidies, up by 35 percent, and forest products, up by 23 percent. Further gains in breakbulk cargo, particularly forest products, are expected once the Pier A Redevelopment Project is completed in 1997.

Waterborne grain volumes increased by 19 percent to 363,196 tonnes in 1996. Overall volumes through the grain elevator were up by 17 percent to 545,552 tonnes, compared with 1995. Further increases in volumes can be expected in the future due to the recently completed expansion to the local Dover Mills plant, a major customer of the Halifax grain elevator.

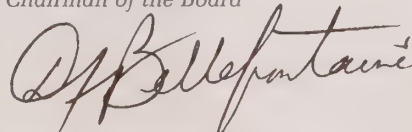
Revenue from operations grew by 3.4 percent to \$13.1 million in 1996. The growth was due entirely to increased cargo, vessel and rental activities as tariff rates remained unchanged for the sixth consecutive year. Operating expenses decreased by 5.3 percent in 1995 to \$10.9 million. Most of the decrease in operating expenses can be attributed to a \$1 million reduction in maintenance and National Office costs. These cost reductions were partially offset by an increase in the provision for bad debts which pertains to a single issue, the outcome of which is uncertain at this time.

Nineteen ninety-six is the fourth consecutive year the Corporation has reported an increase in its net income performance over that of the previous year.

Once again, we wish to express our appreciation to our customers for their support during the year and assure them of our continuing commitment to strive to provide modern efficient facilities and a high level of service at fair and competitive rates.



Mervyn C. Russell
Chairman of the Board



David F. Bellefontaine
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P. C., M. P.,
Minister of Transport

We have audited the balance sheet of Halifax Port Corporation as at December 31, 1996, and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996, and the results of operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act*, and the by-laws of the Corporation.

Doane Raymond

Chartered Accountants
Halifax, Nova Scotia
January 24, 1997

Balance Sheet

	1996	1995
<i>As at December 31, 1996</i>		
Assets		
Current:		
Cash	\$ 112,052	\$ 295,703
Investments (Note 3)	11,595,477	9,411,942
Accounts receivable	3,365,886	2,699,107
Grants in lieu of municipal taxes	96,645	122,623
Materials and supplies	49,983	55,518
	15,220,043	12,584,893
Accounts receivable	132,392	164,210
Property and equipment (Note 4)	59,342,982	56,626,424
	\$ 74,695,417	\$ 69,375,527
Liabilities		
Current:		
Accounts payable and accrued liabilities	\$ 5,128,615	\$ 2,776,045
Deferred revenues	600,744	570,359
	5,729,359	3,346,404
Accrued employee benefits	723,888	666,783
	6,453,247	4,013,187
Equity:		
Contributed capital	50,856,865	50,856,865
Surplus	17,385,305	14,505,475
	68,242,170	65,362,340
	\$ 74,695,417	\$ 69,375,527

Commitments (Note 5)
On behalf of the Board:

Mervyn C. Russell

Mervyn C. Russell
Chairman

David F. Bellefontaine

David F. Bellefontaine
President and Chief Executive Officer

Halifax Port Corporation

Statements of Earnings and Surplus

	1996	1995
<i>Year ended December 31, 1996</i>		
Revenue from operations	\$ 13,151,952	\$ 12,717,037
Operating and administrative expenses	7,453,770	8,039,970
Depreciation	2,569,233	2,557,231
Grants in lieu of municipal taxes	926,051	966,685
	10,949,054	11,563,886
Earnings from operations	2,202,898	1,153,151
Investment income	519,379	620,087
Gain (loss) on disposal of fixed assets	336,130	(11,316)
	855,509	608,771
Net earnings	\$ 3,058,407	\$ 1,761,922
Surplus, beginning of year	\$ 14,505,475	\$ 12,743,553
Net earnings	3,058,407	1,761,922
Dividends	(178,577)	—
Surplus, end of year	\$ 17,385,305	\$ 14,505,475

Statement of Changes in Financial Position

	1996	1995
<i>Year ended December 31, 1996</i>		
Cash derived from (applied to)		
Operating		
Net earnings	\$ 3,058,407	\$ 1,761,922
Depreciation	2,569,233	2,557,231
Other	(279,020)	13,791
	5,348,620	4,332,944
Change in non-cash operating working capital	204,334	336,534
	5,552,954	4,669,478
Financing		
Decrease in accounts receivable	31,818	36,754
Increase (decrease) in accounts payable	1,557,083	(140,067)
Dividends paid	(178,577)	—
	1,410,324	(103,313)
Investing		
Additions to property and equipment	(5,355,668)	(4,074,189)
Proceeds on disposal of assets	392,274	11,117
	(4,963,394)	(4,063,072)
Net increase in cash and short-term investments	1,999,884	503,093
Cash and short-term investments, beginning of year	9,707,645	9,204,552
Cash and short-term investments, end of year	\$ 11,707,529	\$ 9,707,645

Notes to the Financial Statements

Year ended December 31, 1996

1. In accordance with the *Canada Ports Corporation Act*, Sections 6.1 and 6.2, a petition for the establishment of a local port corporation at the Port of Halifax was approved and the Halifax Port Corporation was established effective June 1, 1984.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of Halifax to Halifax Port Corporation.

2. Summary of Significant Accounting Policies

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

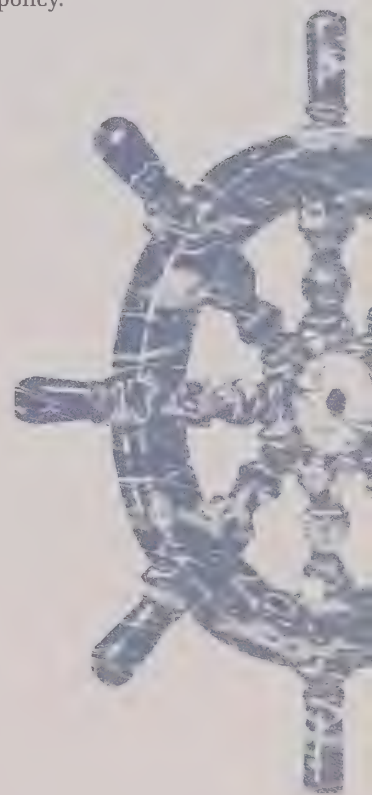
The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave, and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. Investments

	1996		1995	
	Amortized Cost	Face Value	Amortized Cost	Face Value
Short Term	\$ 11,595,477	\$ 11,682,000	\$ 9,411,942	\$ 9,587,000

4. Property and Equipment

	Depreciation Rates	1996			1995
		Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	—	\$ 24,585,676	\$ —	\$ 24,585,676	\$ 24,583,111
Dredging	2.5-6.7%	3,930,091	2,660,769	1,269,322	1,329,212
Berthing structures	2.5-10%	35,352,197	22,619,405	12,732,792	13,185,981
Buildings	2.5-10%	19,900,852	12,726,238	7,174,614	7,123,736
Utilities	3.3-10%	8,375,744	3,868,318	4,507,426	4,154,462
Roads and surfaces	2.5-10%	10,146,027	7,592,032	2,553,995	2,749,967
Machinery and equipment	5-100%	10,608,854	8,063,954	2,544,900	2,808,155
Office furniture and equipment	20%	1,624,410	1,397,389	227,021	224,602
Projects under construction	—	3,747,236	—	3,747,236	467,198
		\$ 118,271,087	\$ 58,928,105	\$ 59,342,982	\$ 56,626,424



Halifax Port Corporation

Notes to the Financial Statements

Year ended December 31, 1996

5. Commitments

In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation is required to pay a dividend, in respect of the 1996 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1997 amounts to approximately \$450,000 for 1996 and will be applied against surplus.

6. Marine Policy Review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*.

At this time, the impact upon the Corporation is not known.

Board of Directors

Mervyn C. Russell ^{1 3}
Chairman
President, Maritime
Broadcasting System Ltd.
Halifax, Nova Scotia

David I. Jones, Q.C. ^{1 4}
Vice Chairman
Partner, Russell Piggott Jones
Dartmouth, Nova Scotia

Linda M. Brennan ^{2 4}
Business Administrator and
School Board Member
Dartmouth, Nova Scotia

Edward D. Kirby ²
Retired Police Officer
Sackville, Nova Scotia

Robert A. Wilson ^{1 2 3 4}
Life Insurance Broker
Bedford, Nova Scotia

Officers of the Corporation

Mervyn C. Russell
Chairman

David I. Jones, Q.C.
Vice Chairman

David F. Bellefontaine
President and Chief Executive Officer

Lorraine E. Brenton
Corporate Secretary

Dennis W. Creamer
Vice-President, Finance and Real Property

Patricia McDermott
Vice-President, Marketing

Randall M. Sherman
Director of Operations/Harbour Master

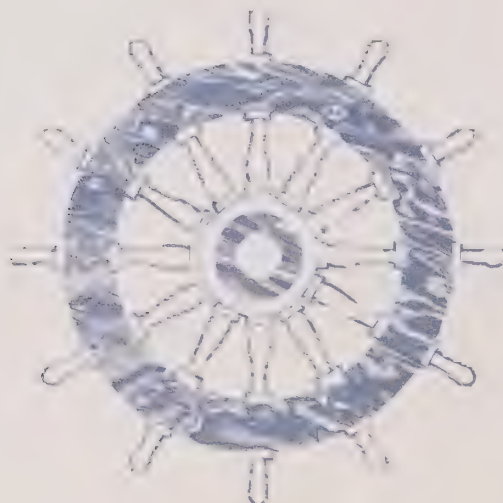
Lawrence A. Freeman
Chief Legal Officer

¹ Executive Committee

² Audit Committee

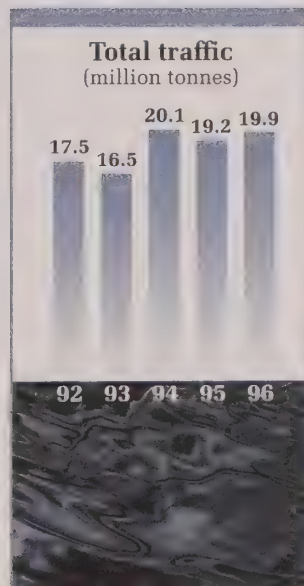
³ Human Resources and Compensation Committee

⁴ Priorities and Planning Committee





Montréal Port Corporation 1996



Containerized general cargo traffic increased 11.3 percent to reach an unprecedented 7.9 million tonnes at the Port of Montréal in 1996. The port handled a record 852,530 TEUs, 126,095 containers more than the previous year.

Thanks mainly to containerized cargo, and despite a decrease in petroleum products, total traffic at the Port of Montréal reached 19.9 million tonnes in 1996, an increase of 3.7 percent.

These are the highlights of activity at the Port of Montréal for 1996. Moreover, the Montréal Port Corporation reported net earnings for a 17th consecutive year.

The Port of Montréal did much better than its rivals in the highly-competitive containerized cargo market. Statistics also show that the Port of Montréal handles more North Atlantic container cargo than any other port on North America's eastern seaboard.

Propelled by containers, general cargo traffic on the whole reached a record 8.4 million tonnes in 1996, an increase of 9.9 percent. Within this category, non-containerized general cargo traffic totalled some 500,000 tonnes, down eight percent. A decrease in steel imports into North America and increased competition from regional and U.S. eastern seaboard ports explain the drop.

Initiatives have already been taken by the Corporation and others involved in port activity to stimulate non-containerized general cargo traffic. Among them, the Corporation has reduced wharfage charges on steel products by 43 percent. Steel makes up most of the traffic handled in this sector.

On the whole, dry bulk traffic totalled 6.2 million tonnes in 1996, an increase of 4.7 percent. Grain traffic, meanwhile, totalled 1.4 million tonnes, down 12.2 percent. The poor harvest in autumn 1995 hurt all St. Lawrence River grain elevators throughout most of 1996 and early snowfalls on the Prairies last year delayed deliveries to the port's grain elevator.

Overall, liquid bulk traffic totalled 5.3 million tonnes in 1996, a decrease of six percent. Petroleum products were responsible for the decrease, totalling 4.1 million tonnes, down 10.4 percent. Petroleum products moving through the port are used almost exclusively in the Greater Montréal region and the factors influencing this traffic are out of the Corporation's hands.

For the year ending December 31, 1996, the Montréal Port Corporation reported net earnings for a 17th consecutive year. These net earnings reached \$11.8 million, compared with \$9.3 million in 1995. They comprise net earnings from operations of \$6.1 million and net investment income of \$5.7 million.

Revenue from operations totalled \$56.2 million in 1996, an increase of three percent.

The Corporation has made cost control one of its top priorities. Over the last 10 years, our operating and administrative expenses have decreased 2.5 percent while inflation in Canada over the same period has increased 36 percent.

According to a study carried out last autumn for the federal transport department by the consulting firm of Nesbitt Burns, the Montréal Port Corporation is the local port corporation that is in the best financial shape.

We are pleased and proud to inform the shareholder that again last year, our solid financial situation allowed

us altogether to improve and expand our facilities, offer highly-competitive tariffs and take other measures to stimulate port activity over the short and long term.

Hence, our clients are benefitting from a freeze of almost all our general tariffs for a fifth consecutive year in 1997. We have also continued our program to stimulate containerized cargo traffic. With the freeze and incentives, wharfage charges on containerized cargo have decreased 14 percent since 1985.

The tariff freeze applies to almost all types of cargo and measures have been taken to spur on traffic of specific commodities in general and bulk cargo.

The initiatives taken by the Corporation to make the Port of Montréal more competitive are not limited to tariff reductions. Last year, for example, we teamed up with the Maritime Employers Association to create a training centre for longshoremen and checkers. We invested more than \$1 million in the facility which includes a high-tech crane simulator.

In June 1996, we held public information sessions on our project for the selective dredging of underwater shoals in the channel between Montréal and Cap-à-la-Roche, situated downstream from Trois-Rivières. This project would increase the ensured minimal water depth in the channel by 30 centimetres in order to optimize vessel loading, particularly during low-water periods.

Private consultants who carried out an environmental study concluded that the selective dredging would have no significant impact on the environment. As this message was being written in January 1997, we were awaiting the authorization of the regional director general of Fisheries and Oceans to proceed with the project which will make the shipping channel and all industries and businesses that rely on it more competitive.

In 1996, we intensified our marketing, information and advertising efforts to promote the Port of Montréal's advantages. For example, we continued our highly-successful promotional tour to a growing number of our main North American markets.

Shipping lines, railways, trucking, stevedoring companies and all others involved in port activity, including our own employees, are always looking to do better than the competition. We extend to them our sincere thanks. With this type of commitment, the Port of Montréal will continue to enjoy waves of success.



Raymond Lemay
Chairman of the Board



Dominic J. Taddeo
President and Chief Executive Officer

Auditors' Report

**To the Honourable David Anderson, P. C., M. P.
Minister of Transport**

We have audited the balance sheet of Montréal Port Corporation as at December 31, 1996 and the statements of earnings, contributed capital and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Furthermore, in our opinion, the transactions of the Corporation that have come under our notice in the course of our examination of the financial statements have been, in all significant respects, in accordance with Part X of the *Financial Administration Act* and regulations, and with the charter and bylaws of the Corporation.

Samson Bilal
Deloitte & Touche

Chartered Accountants
Montréal, Quebec
January 31, 1997

Balance Sheet

	1996	1995
<i>As at December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Assets		
Current assets:		
Cash	\$ 176	\$ 371
Short-term investments (Note 3)	35,971	42,350
Accounts receivable	11,006	13,048
Materials and supplies	776	686
	47,929	56,455
Long-term investments (Note 3)	43,419	27,209
Fixed assets (Note 4)	158,725	159,155
Deferred costs	532	567
Other assets	268	388
	\$ 250,873	\$ 243,774
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (Note 5)	\$ 12,285	\$ 10,913
Grants in lieu of municipal taxes	494	3,260
	12,779	14,173
Accrued employee benefits	4,563	4,789
Loans from the Government of Canada (Note 6)	2,242	2,903
	19,584	21,865
Equity of the Government of Canada:		
Contributed capital	153,919	153,919
Retained earnings	77,370	67,990
	231,289	221,909
	\$ 250,873	\$ 243,774

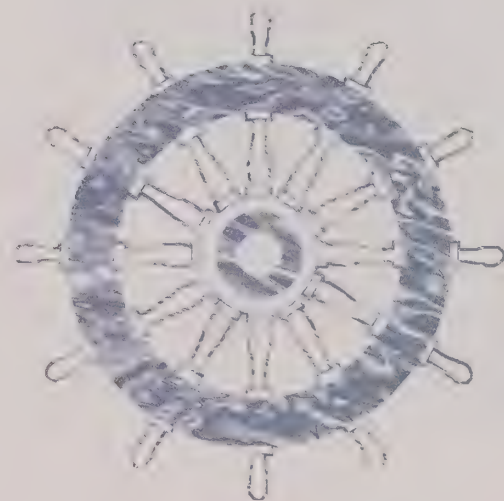
Approved by the Board:

Raymond Lemay

Raymond Lemay
Chairman

Dominic J. Taddeo

Dominic J. Taddeo
President and Chief Executive Officer



Montréal Port Corporation

Statement of Earnings

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Revenue from operations	\$ 56,174	\$ 54,584
Operating and administrative expenses	37,180	36,043
Depreciation of fixed assets	11,141	10,903
Grants in lieu of municipal taxes	1,793	4,133
	50,114	51,079
Earnings from operations	6,060	3,505
Investment revenue	5,762	5,803
Net earnings	\$ 11,822	\$ 9,308

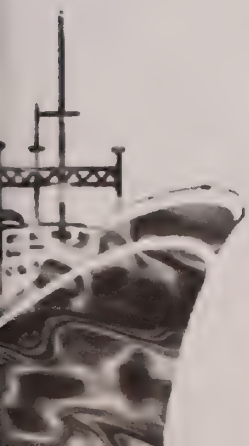
Statement of Contributed Capital and Retained Earnings

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Contributed capital:		
Balance, beginning and end of year	\$ 153,919	\$ 153,919
Retained earnings:		
Balance, beginning of year	\$ 67,990	\$ 60,935
Net earnings	11,822	9,308
Dividends	(2,442)	(2,253)
Balance, end of year	\$ 77,370	\$ 67,990

Montréal Port Corporation

Statement of Changes in Financial Position

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Operating Activities		
Net earnings	\$ 11,822	\$ 9,308
Items not affecting cash:		
Depreciation of fixed assets	11,141	10,903
Amortization of deferred costs	35	34
Gain on disposal of fixed assets	230	415
(Decrease) increase in accrued employee benefits	(226)	722
	23,002	21,382
Changes in non-cash operating working capital items (Note 7)	519	55
	23,521	21,437
Financing Activities		
Repayment of current portion of loans from the Government of Canada	(622)	(586)
Dividends paid	(2,442)	(2,253)
	(3,064)	(2,839)
Investing Activities		
(Decrease) increase in long-term investments	(16,210)	386
Acquisition of fixed assets	(11,361)	(11,760)
Disposal of fixed assets	420	6
Decrease in other assets	120	199
	(27,031)	(11,169)
Net cash (outflow) inflow	(6,574)	7,429
Cash position, beginning of year	42,721	35,292
Cash position, end of year	\$ 36,147	\$ 42,721
Represented by:		
Cash	\$ 176	\$ 371
Short-term investments	35,971	42,350
	\$ 36,147	\$ 42,721



Notes to the Financial Statements

Year ended December 31, 1996

(tabular amounts only are in thousands of dollars)

1. Status and Nature of Activities

The Montréal Port Corporation (the Corporation) was incorporated by letters patent in accordance with subsection 6.2(1) of the *Canada Ports Corporation Act* on July 1, 1983.

Under Section 6.5 of the same *Act*, on the establishment of a local port corporation, all rights, obligations and liabilities of the Canada Ports Corporation in relation to that harbour shall become rights, obligations and liabilities of the local port corporation and the administration of all such property and works within the limits of that harbour administered by the Board shall be deemed to have been transferred to the local port corporation, in this case the Corporation.

2. Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are shown at amortized cost, with premiums or discounts amortized over their periods to maturity.

Materials and supplies

Materials and supplies are valued at the lower of cost and replacement cost. Cost is determined substantially on an average cost basis.

Fixed assets

Fixed assets are recorded at original cost with related accumulated depreciation transferred from Canada Ports Corporation; subsequent acquisitions are recorded at cost.

Depreciation is calculated according to the straight-line method for the full year, commencing in the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

Deferred costs

Deferred costs are composed of costs incurred to deepen the St. Lawrence River from Montréal to Saint-Augustin. These costs are amortized over 20 years.

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

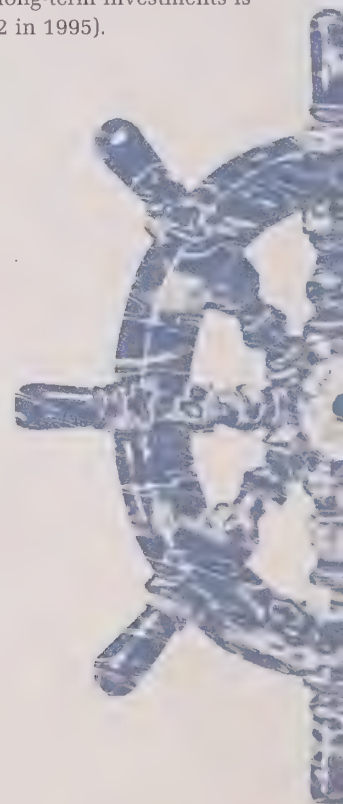
Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements or in accordance with Corporation policy.

3. Investments

Funds are invested in direct and guaranteed securities of the Government of Canada. As at December 31, 1996, the market value of short-term investments is equivalent to their amortized cost, and the market value of long-term investments is \$50,974,070 (\$33,234,472 in 1995).



Notes to the Financial Statements

Year ended December 31, 1996

(tabular amounts only are in thousands of dollars)

4. Fixed Assets

	Depreciation Rates	1996			1995
		Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	—	\$ 50,864	\$ —	\$ 50,864	\$ 50,721
Dredging	2.5–10.0%	16,178	14,644	1,534	1,819
Berthing structures	2.5–10.0%	63,817	48,086	15,731	16,624
Buildings	2.5–10.0%	69,410	41,176	28,234	29,267
Utilities	3.3–20.0%	23,033	13,113	9,920	8,550
Roads and surface	2.5–10.0%	80,825	37,957	42,868	41,194
Machinery and equipment	5.0–33.3%	63,235	57,271	5,964	7,729
Office furniture and equipment	20.0–33.3%	10,674	7,974	2,700	2,457
		378,036	220,221	157,815	158,361
Projects under construction		910	—	910	794
		\$ 378,946	\$ 220,221	\$ 158,725	\$ 159,155

5. Accounts Payable and Accrued Liabilities

	1996	1995
Current portion of loans from the Government of Canada	\$ 661	\$ 622
Deferred revenue	469	931
Other	11,155	9,360
	\$ 12,285	\$ 10,913

6. Loans from the Government of Canada

	1996	1995
Loans, 6.25%, payable to 2000 in annual instalments of \$842,561 including interest	\$ 2,903	\$ 3,525
Current portion	661	622
	\$ 2,242	\$ 2,903

Principal repayment requirements over the next four years are as follows:

1997	\$ 661,128
1998	702,449
1999	746,352
2000	792,999

7. Changes in Non-Cash Operating Working Capital Items

	1996	1995
Accounts receivable	\$ 2,042	\$ (1,217)
Materials and supplies	(90)	52
Accounts payable and accrued liabilities, net of current portion of loans from the Government of Canada	1,333	1,926
Grants in lieu of municipal taxes	(2,766)	(706)
	\$ 519	\$ 55



Notes to the Financial Statements

Year ended December 31, 1996

*(tabular amounts only are in thousands of dollars)***8. Contingencies**

Claims aggregating approximately \$3,200,000 in respect of lawsuits and guarantees related to the Corporation's property have been made against the Corporation but are not reflected in the accounts. In the opinion of the Corporation, its position is defensible and the final outcome of such claims should not result in any material loss.

9. Commitments

- a) Contractual obligations for the completion, construction and purchase of property, plant and equipment are estimated at \$321,000.
- b) In accordance with a policy concerning payment of dividends to the Canadian government, the Corporation would be required to pay a dividend, in respect of the 1996 fiscal year, based on a method of calculation using net earnings. This dividend, payable before March 31, 1997, would amount to approximately \$3,196,656 for 1996 and would be applied against retained earnings.

10. Related Party Transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada and its agencies and other Crown corporations.

The Corporation derives revenue from related parties principally from grain warehousing for an amount of \$1,425,000 (\$2,253,000 in 1995), switching charges of \$1,061,000 (\$762,000 in 1995), wharfage revenues of \$494,000 (\$516,000 in 1995) and rental revenues of \$1,202,000 (\$1,650,000 in 1995). The expenses paid to related parties are principally reimbursements to Canada Ports Corporation for head office charges related to the Corporation for an amount of \$2,914,000 (\$1,611,000 in 1995).

The Corporation has accounts receivable of \$413,000 (1,898,000 in 1995) and accounts payable of \$896,000 (\$1,177,000 in 1995) with the same related parties.

11. Prior Year Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

Board of Directors

Raymond Lemay *
Chairman
Executive Vice-President
Québecor Inc.
Montréal, Quebec

Yvon Lamarre *
Vice Chairman
Principal Advisor
SNC Lavalin Inc.
Montréal, Quebec

Hélène Béïque
President
Groupe Archi Plus Inc.
Montréal, Quebec

Sam L. Elkas *
Montréal, Quebec

Yvon Labrosse
Mayor, Town of Montréal-East
Montréal-East, Quebec

Régis Rémillard
Notary
Verdun, Quebec

Louise Robic
Roxboro, Quebec

* Member, Executive Committee

Officers of the Corporation

Raymond Lemay
Chairman

Dominic J. Taddeo
President and Chief Executive Officer

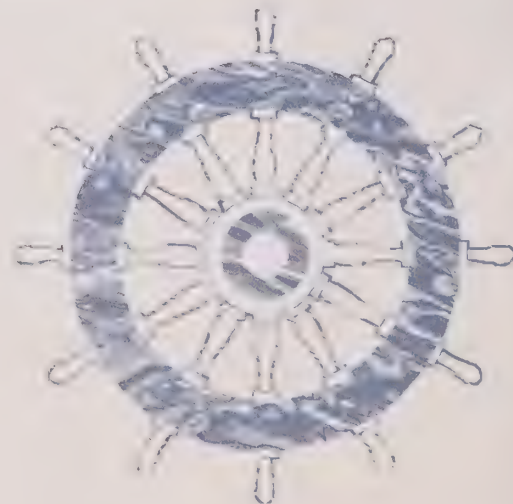
Roger Dubé
Vice-President, Administration

Normand Fillion
Vice-President, Marketing

Michel L. Lesage, Eng.
Vice-President, Operations

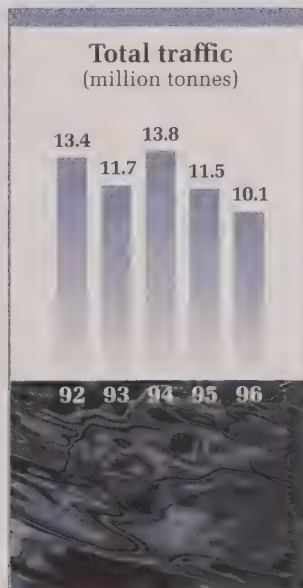
Sylvie Vachon
Vice-President, Human Resources

Jean Mongeau
Notary
Corporate Secretary





Prince Rupert Port Corporation 1996



The Prince Rupert Port Corporation is pleased to report on its activities and results for the fiscal year ended December 31, 1996.

The port's long term vision includes capitalizing upon a number of exceptional opportunities while taking action to mitigate the effects of several threats. These circumstances have required the devotion of extensive activity to capture these opportunities while maintaining cost-effective operations to ensure the port's continued financial self-sufficiency.

An important area of activity for the port in 1996 was our preparation for and involvement in the Standing Committee on Transport hearings relative to Bill C-44, the new *Canada Marine Act*. The transition from a federal Crown Corporation to a Canadian Port Authority, planned to take place in 1997, will no doubt require significant attention and resources throughout the upcoming year.

The Port of Prince Rupert continued to feel the impact of the August 1, 1995 elimination of the *Western Grain Transportation Act* subsidies for the shipment of grain. This resulted in the loss of west coast port parity and now the Port of Prince Rupert has the unfortunate distinction, based on existing regulated rail rate pricing structures, of being the higher cost route for the export of grain through the west coast. Promoting knowledge of the inherent problems of the existing rail rate regime, as well as the many offsetting economic advantages of shipping through Prince Rupert, will continue to comprise a major component of the port's marketing and public communication initiatives in the upcoming years.

Reflecting our commitment to fulfilling our long term vision, the Prince Rupert Port Corporation's business development activity again increased dramatically in 1996. During the year, the port worked on more business development files than ever before. Demand for port property continues to rise as more and more local, national and global investors become aware of Prince Rupert's advantages.

The commercial fishing industry outlook for Prince Rupert continues to be positive for the port despite transitional difficulties associated with this industry's transformation. Demand for port dock space is high as many independent seafood companies seek space to offload and value-add their products for export to more populous areas of Canada and the United States. Departure of a tenant at Ocean Dock and the redevelopment of Westview Terminal (the old government Grain Elevator) destroyed by fire in May, will help provide the space to satisfy this demand.

Throughout the year, discussions continued with a mining concentrate shipper who is in the process of developing the first new mine in B.C. in nearly 15 years. This new mine, which will be located just south of Houston, is expected to export in excess of 120,000 tonnes of copper concentrate annually.

Another key activity for the port is the continuation of marketing and engineering efforts toward the realization of a liquid bulk terminal at Prince Rupert. During the year, several different business opportunities for liquid bulk terminal development have been under discussion and investigation. The market opportunities for these various products is favourable to a Prince Rupert location and the port is confident that one or more of these projects will be realized in 1997.

The port has also made progress on increasing pulp traffic over Fairview Terminal. During the year, the terminal operator at Fairview handled a test shipment for a pulp shipper who was not a current exporter through the Port of Prince Rupert. Overall, pulp traffic rose from

59,000 tonnes in 1995 to 74,000 in 1996, an increase of over 25 percent. The port remains extremely optimistic about its potential to handle increased pulp volumes.

Throughput at the Port of Prince Rupert in 1996 totaled 10.1 million tonnes. This represents a decrease of 12.2 percent from 1995 levels. This drop in volume is attributable primarily to a decrease in wheat exports. Peaking at 5.5 million tonnes in 1994, wheat exports amounted to only 3.5 million tonnes in 1996. On a more positive note, about 55,000 tonnes of barley malt—a commodity not previously exported through Prince Rupert—was exported through the specialty grain and agricultural products handling facility at Fairview Terminal.

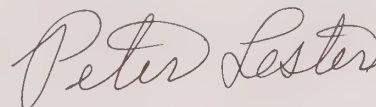
Coal and lumber also registered declines in 1996. Lumber tonnage fell 13 percent over 1995 to 298,116 tonnes and coal was off by nine percent. The port and its forest product terminal operator continue to aggressively market this facility. The announcement of additional scheduled liner sailings to Asia by a major forest products carrier bodes well for 1997 lumber exports.

Ferry and cruise passenger traffic through the Port of Prince Rupert slipped by about six percent to 176,000 passengers. This includes passengers traveling to Alaska on the Alaska Marine Highway System ferry, and passengers within British Columbia, traveling between Port Hardy on the northern tip of Vancouver Island, the Queen Charlotte Islands and the northern terminus of Prince Rupert.

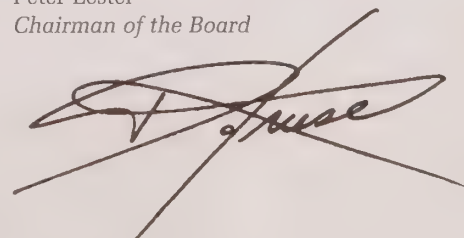
The financial results of the Corporation show operating revenues of \$12.5 million which is a marginal decrease of one percent from the prior year. Earnings from operations were \$1.1 million which represents a decrease of about \$100,000 from 1995. Net income totaled \$743,000; this 13 percent increase over 1995 reflects ongoing attention to the expense side of the port management equation.

In accordance with statutory obligations, the Prince Rupert Port Corporation wishes to advise our shareholder, the Government of Canada, that the port has made significant progress in achieving its objectives during 1996 though more tangible fruits are expected to be realized in 1997. Furthermore, the necessary procedures and controls are in place to ensure the safeguard of the Corporation's assets.

The Board and staff of the Prince Rupert Port Corporation would like to thank everyone involved in port activities in Prince Rupert for their commitment and hard work during the year. The port's vision as being a major participant in Canada's export activity can only be realized with the continued dedication and cooperation of all the players on the waterfront.



Peter Lester
Chairman of the Board



Donald H. Krusel
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P. C., M. P., Minister of Transport

We have audited the balance sheet of Prince Rupert Port Corporation as at December 31, 1996 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of

the Corporation as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the letters patent and by-laws of the Corporation.

KP176

Chartered Accountants
New Westminster, British Columbia
January 28, 1997

Balance Sheet

	1996	1995
<i>December 31, 1996</i>		
Assets		
Current assets:		
Cash	\$ 1,495,708	\$ 37,538
Investments (note 2)	14,811,561	13,894,726
Accounts receivable	1,519,194	1,486,888
Materials and supplies	153,162	135,661
	17,979,625	15,554,813
Capital assets (note 3)	94,278,897	96,174,864
	\$ 112,258,522	\$ 111,729,677
Liabilities and Equity of Canada		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 338,475	\$ 303,368
Grants in lieu of municipal taxes	910,247	791,682
Deferred revenues	275,391	289,932
Current portion on loans from Canada	371,545	489,724
	1,895,658	1,874,706
Loans from Canada (note 4)	9,625,656	14,844,753
Equity of Canada:		
Contributed capital (note 4)	84,611,805	79,611,805
Surplus	16,125,403	15,398,413
	100,737,208	95,010,218
	\$ 112,258,522	\$ 111,729,677

Commitments (note 5)

See accompanying notes to financial statements.

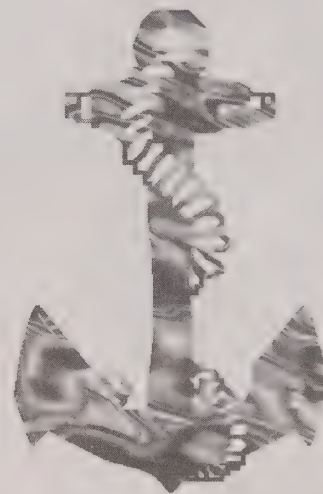
On behalf of the Board:

Peter Lester

Peter Lester
Chairman

Donald H. Krusel

Donald H. Krusel
President and Chief Executive Officer



Prince Rupert Port Corporation

Statement of Earnings and Surplus

	1996	1995
<i>Year ended December 31, 1996</i>		
Revenue from operations	\$ 12,514,232	\$ 12,643,829
Expenses:		
Contractual services	4,985,316	5,031,951
Operating and administrative	3,266,854	3,141,048
Amortization	2,335,484	2,385,465
Grants in lieu of municipal taxes	797,755	844,120
	11,385,409	11,402,584
Earnings from operations	1,128,823	1,241,245
Other earnings (expense):		
Interest	794,563	1,033,356
Interest expense	(1,180,734)	(1,617,983)
	(386,171)	(584,627)
Net earnings	742,652	656,618
Surplus, beginning of year	15,398,413	14,769,681
	16,141,065	15,426,299
Dividend to Canada	15,662	27,886
Surplus, end of year	\$ 16,125,403	\$ 15,398,413

See accompanying notes to financial statements.

Statement of Changes in Financial Position

	1996	1995
<i>Year ended December 31, 1996</i>		
Cash provided by (used in):		
Operations		
Net earnings	\$ 742,652	\$ 656,618
Items not involving cash:		
Amortization	2,335,484	2,385,465
Changes in non-cash operating working capital	89,324	140,089
	3,167,460	3,182,172
Financing		
Increase in contributed capital	5,000,000	—
Decrease in loans from Canada	(5,337,276)	(444,255)
Dividend to Canada	(15,662)	(27,886)
	(352,938)	(472,141)
Investment		
Purchase of capital assets	(439,517)	(917,538)
Increase in cash position	2,375,005	1,792,493
Cash position, beginning of year	13,932,264	12,139,771
Cash position, end of year	\$ 16,307,269	\$ 13,932,264
Cash position is defined as:		
Cash	\$ 1,495,708	\$ 37,538
Investments	14,811,561	13,894,726
Cash position	\$ 16,307,269	\$ 13,932,264

See accompanying notes to financial statements.

Notes to the Financial Statements

Year ended December 31, 1996

Local Port Corporation

The Prince Rupert Port Corporation was established effective June 1, 1984 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

On June 1, 1984, all the assets and liabilities of Canada Ports Corporation relating to the Port of Prince Rupert were transferred to the Corporation at their book value as recorded by Canada Ports Corporation.

1. Significant Accounting Policies

(a) Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

(b) Capital assets

Capital assets are recorded at cost. Amortization is calculated on the straight-line basis commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Dredging	5%
Berthing structures	2.5% – 10%
Buildings	5% – 10%
Roads and surfaces	3.3% – 10%
Utilities	5% – 10%
Machinery and equipment	5% – 100%
Office furniture and equipment	20% – 33.3%

(c) Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

(d) Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(e) Employee benefits

The Corporation accrues in its accounts annually the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years.

2. Investments

	1996	1995
Amortized cost	\$ 14,811,561	\$ 13,894,726
Market value	\$ 14,845,125	\$ 13,895,453

3. Capital Assets

	1996		1995	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 63,748,741	\$ –	\$ 63,748,741	\$ 63,748,741
Dredging	332,187	106,428	225,759	242,563
Berthing structures	36,449,770	11,789,570	24,660,200	25,836,956
Buildings	5,631,495	2,514,558	3,116,937	3,469,586
Roads and surfaces	7,183,357	5,284,511	1,898,846	2,269,596
Utilities	2,727,305	2,516,006	211,299	256,976
Machinery and equipment	2,396,780	2,319,624	77,156	173,754
Office furniture and equipment	414,023	359,097	54,926	95,952
Construction in progress	285,033	–	285,033	80,740
	\$ 119,168,691	\$ 24,889,794	\$ 94,278,897	\$ 96,174,864

Prince Rupert Port Corporation

Notes to the Financial Statements

Year ended December 31, 1996

4. Loans from Canada

	1996	1995
Interest-bearing loans at 9.80% to 10.40% repayable in blended annual instalments, maturing in 2010	\$ 9,997,201	\$ 15,334,477
Less current portion	371,545	489,724
	\$ 9,625,656	\$ 14,844,753

Principal payment requirements over the next five years are approximately as follows:

1997	\$ 372,000
1998	409,000
1999	451,000
2000	497,000
2001	547,000
	\$ 2,276,000

In July, 1996, Treasury Board approved the forgiveness to the Corporation of \$5,000,000 on loans from Canada which was effective March 31, 1996. Accordingly, the \$5,000,000 was transferred from loans from Canada to contributed capital.

5. Commitments

The Corporation rents its premises under an operating lease which expires April 30, 1997. The future rent payable to the expiry date is approximately as follows:

1997	\$ 25,000
------	-----------

6. Related Party Transactions:

(a) During the year, the Corporation recorded lease revenue of \$1,723,047 (1995 – \$1,802,973) from Ridley Terminals Inc., a company which is a wholly-owned subsidiary of Canada Ports Corporation. At December 31, 1996, accounts receivable included \$124,142 (1995 – \$380,939) from Ridley Terminals Inc.

(b) During the year, the Corporation paid \$356,321 (1995 – \$451,191) to Canada Ports Corporation as its share of that Corporation's head office expense. At December 31, 1996, accounts payable included \$20,430 (1995 – \$Nil) to Canada Ports Corporation.

Board of Directors

Peter Lester *
Chairman
Business Manager
Prince Rupert, British Columbia

Rhoda Witherly *
Vice Chairperson
Business Manager
Prince Rupert, British Columbia

Penny Denton **
Critical Care, R.N.
Prince Rupert, British Columbia

Douglas E. Moore **
Customs Broker/Shipping Agent
Prince Rupert, British Columbia

Michael J. Tarr *|**
President and Chief Executive Officer
Northern Savings Credit Union
Prince Rupert, British Columbia

Officers of the Corporation

Peter Lester
Chairman

Rhoda Witherly
Vice Chairperson

Donald H. Krusel
President and Chief Executive Officer

Joseph Rektor
Vice President, Administration
and Operations

David G. Shearer
Vice President, Business Development
and Technical Services

Donald A. Silversides, Q.C.
Chief Legal Officer

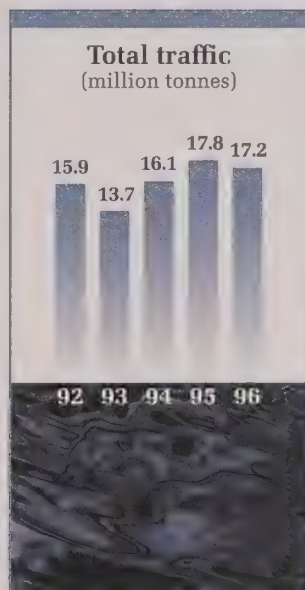
Heather McLean
Corporate Secretary

* Member, Executive Committee

** Member, Audit Committee



Port of Québec Corporation 1996



1996 proved to be an excellent year for the Port of Québec Corporation, especially in financial terms. We will remember the past 12 months as a year of firsts for trade and for active discussions both at the regional and national levels. The Port of Québec Corporation is proud to present its annual report for 1996, which confirms that the organization is ready to take up the challenges likely to arise from Canada's new marine policy and from increasing competition in international trade.

Despite new traffic, 1996 tonnage at the Port of Québec dropped slightly to 17.2 million tonnes, down three percent from 1995.

Diversification notwithstanding, solid bulk was responsible for a decline in total traffic. In 1996, 6.1 million tonnes of solid bulk were handled, 7.5 percent less than in 1995. The port's grain terminals handled 3.2 million tonnes of goods, a 14 percent drop from 1995 levels. On the other hand, nearly 700,000 tonnes of American corn was shipped, a record for recent years. Thanks to its grain-cleaning system, Bunge of Canada processed more wheat than ever before. The Port of Québec boasts its grain terminal, the only one on the St. Lawrence Seaway that can provide this service, which prunes costs and delivery delays in grain shipments via the St. Lawrence.

1996 was a landmark year for the tonnage of ore and concentrates handled at the solid bulk terminal, posting the highest figures in six years—two million tonnes—a hike of six percent over 1995. Above and beyond regular traffic in iron ore, copper, and aluminium, Arrimage du St-Laurent handled sizable volumes of iron pellets, raw sugar and cobalt.

The volume of other solid bulk handled in 1996 remained on a par with that of 1995, except for scrap metal and coal.

The liquid bulk handled in 1996, which topped the 10.9 million-tonne mark, proved yet again that the Port of Québec is the kingpin of eastern Canada when it comes to handling chemicals and petroleum products. Crude oil imported by the Ultramar refinery located in Lévis accounted for 7.2 million tonnes (up seven percent). Other types of oil tonnage, such as gasoline and fuel oil, generated by the various port terminals totalled 3.4 million tonnes (down 14 percent).

The performance record for chemicals is excellent, with the IMTT-Québec terminal handling over 210,000 tonnes of chemical products, one-and-a-half times 1995 volumes and four times those recorded for 1993. Various new products were handled at the terminal, including hydrogen peroxide and sulphuric acid. IMTT-Québec has invested over \$4 million to improve the terminal over the past three years.

1996 was also marked by Degussa Canada establishing a new hydrogen peroxide terminal at the port. The Port of Québec Corporation joins with the entire region in welcoming this terminal and the eventual peroxide plant in Beauport with open arms.

The tonnage of general goods handled at the port in 1996 dipped nine percent from 1995 figures to 265,000 tonnes. Granite and marble (91,000 tonnes) and powdered milk (25,000 tonnes) were among the top-performing goods. Pulpwood shipments approached 50,000 tonnes, a stellar performance.

The Port of Québec could reach its full potential as the nerve centre for the shipment of general non-containerized

goods as soon as a labour contract reflecting the realities of the Québec City market is signed between stevedores and longshoremen. 1996 was a busy year in this regard since the rudiments of a new contract were crafted by both parties, with the help of the Société des arrimeurs de Québec, founded in January 1996.

1996 was a year of financial gain for the Corporation. Revenues for the last fiscal year totalled \$12.7 million compared to \$12.3 million in 1995, up 3.3 percent. The Corporation also managed to contain operating costs to \$12.6 million, compared to \$12.1 million spent the year before. Operating income in 1996 was \$106,937 from \$163,195 in 1995. Net earnings were \$466,844, compared to \$35,231 for 1995, which represents an appreciable improvement.

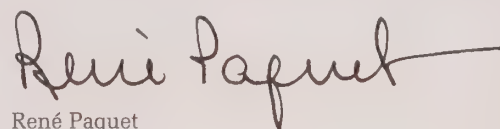
Cancellation of the \$6.3 million debt by the Canadian government will enable the Corporation to improve its financial position and to build up the reserves it had managed to amass in the past. Now more than ever, the Corporation needs these monies to refurbish aging infrastructure and to undertake new projects that are crucial to its current and future operations.

After many months of consultation, the Canadian government has tabled Bill C-44. Once it is adopted, this piece of legislation will change the rules of the game for maritime stakeholders in Canada. The Port of Québec Corporation is prepared to face these new challenges and to seize the opportunities it will undoubtedly create.

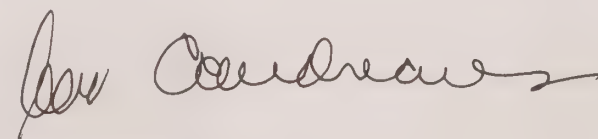
The impact of the Canadian Coast Guard's cost recovery program must also be addressed. Despite the sustained efforts of marine transport industry interests, it would appear that the proposed changes will indeed occur and that we will have to cope with them. All industry members will have to work closely together to meet these new challenges.

The privileged relationship between the port community and the Port of Québec, combined with the undeniable strategic benefits the port offers users—high-performance terminals, advantageous location, complete intermodality, and a harbour depth that is the envy of the North American eastern seaboard—will be the port's strength in coming years. All these features, as well as the opportunities arising from Canada's new marine policy and increasing international trade, coalesce to ensure the development of one of Canada's major ports.

The directors, managers, and staff of the Port of Québec Corporation would like to take this opportunity to thank all those who contributed to the development of the port and to the marine transport industry in the Québec City region.



René Paquet
Chairman of the Board



Ross Gaudreault
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P. C., M. P., Minister of Transport

We have audited the balance sheet of Port of Québec Corporation as at December 31, 1996 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

We further report that, in our opinion, the transactions of the Corporation that have come to our notice in the course of our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and with the charter and by-laws of the Corporation.

Mallette Wabue

General Partnership Chartered Accountants
Québec City, Quebec
January 24, 1997

Balance Sheet

As at December 31

	1996	1995
Assets		
Current assets:		
Cash	\$ 230,735	\$ 395,523
Short-term investments (note 3)	4,477,857	1,495,144
Accounts receivable	2,362,959	2,219,736
Materials and supplies	217,506	155,994
	7,289,057	4,266,397
Investments (note 3)	3,684,570	4,678,047
Fixed assets (note 4)	50,973,332	52,612,423
	\$ 61,946,959	\$ 61,556,867
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,230,174	\$ 1,054,038
Grants-in-lieu of municipal taxes	148,275	174,003
Deferred revenues	880,467	887,627
Current portion of long-term debt	—	174,838
	2,258,916	2,290,506
Long-term debt:		
Accrued employee benefits	595,000	815,000
Loans from Interport Loan Fund (note 5 and 6)	—	6,142,699
	595,000	6,957,699
	2,853,916	9,248,205
Equity of Canada:		
Contributed capital (note 6)	58,169,735	51,852,198
Surplus	923,308	456,464
	59,093,043	52,308,662
	\$ 61,946,959	\$ 61,556,867

Contingencies (note 8)

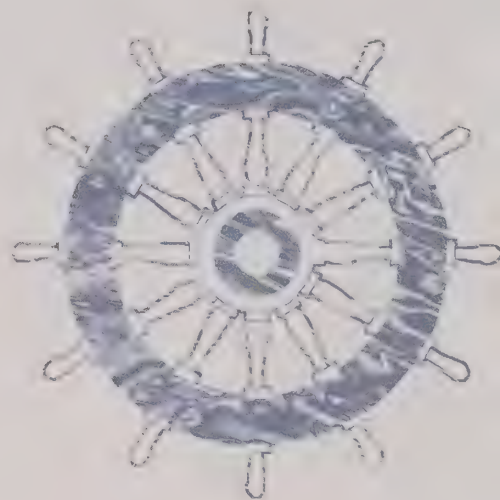
On behalf of the Board:

René Paquet

René Paquet
Chairman
Officer

Ross Gaudreault

Ross Gaudreault
President and Chief Executive Officer



Port of Québec Corporation

Statement of Earnings and Surplus

<i>Year ended December 31</i>	1996	1995
Revenue from operations	\$ 12,748,250	\$ 12,282,871
Expenses		
Operating and administrative	7,776,192	7,355,615
Charges from National Office	417,357	528,539
Grants-in-lieu of municipal taxes	1,247,625	1,269,404
	9,441,174	9,153,558
Earnings before depreciation and financial expenses	3,307,076	3,129,313
Depreciation of fixed assets	3,200,139	2,966,118
Earnings before financial expenses	106,937	163,195
Financial expenses (income):		
Interest expense	127,853	531,775
Investment income	(487,760)	(403,811)
	(359,907)	127,964
Earnings for the year	466,844	35,231
Surplus at beginning of year	456,464	421,233
Surplus at end of year	\$ 923,308	\$ 456,464

Statement of Changes in Financial Position

<i>Year ended December 31</i>	1996	1995
Operating Activities		
Earnings for the year	\$ 466,844	\$ 35,231
Operating items not involving cash:		
Depreciation of fixed assets	3,200,139	2,966,118
Accrued employee benefits	(220,000)	(103,000)
Other	(30,124)	(36,271)
	3,416,859	2,862,078
Net change in non-cash components of working capital	(61,487)	(356,239)
Net funds from operations	3,355,372	2,505,839
Financing Activities		
Reimbursement of loans from Interport Loan Fund	—	(161,577)
Net funds used for financing	—	(161,577)
Investing Activities		
Investment in Canadian bonds	1,000,000	(2,178,250)
Additions to fixed assets	(1,577,215)	(453,012)
Proceeds from disposal of fixed assets	39,768	22,005
Net funds used for investment	(537,447)	(2,609,257)
Increase (decrease) in cash position	2,817,925	(264,995)
Cash position at beginning of year	1,890,667	2,155,662
Cash position at end of year	\$ 4,708,592	\$ 1,890,667

Cash position consist of cash and short-term investments.

Notes to the Financial Statements

Year ended December 31, 1996

1. Statutes of Incorporation

The Port of Québec Corporation was incorporated on June 1, 1984, under section 6.2(1) of the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

2. Significant Accounting Policies

Investments

Investments, which are guaranteed Securities of Canada, are shown at amortized cost whereby premiums and discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants received from Canada and from third parties for capital projects are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line commencing with the year the asset becomes operational, using the following annual rates:

Dredging	2.5% – 6.7%
Berthing structures	2.5% – 10%
Buildings	2.5% – 10%
Utilities	3.3% – 10%
Roads and surfaces	2.5% – 10%
Machinery and equipment	5% – 20%
Office furniture and equipment	20%
Projects in progress	0% to 20%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants-in-lieu of municipal taxes

Grants-in-lieu of municipal taxes is estimated based on municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years under collective agreements, or in accordance with its policy.

Fair value of financial instruments

The fair value of financial instruments other than investments, namely cash, accounts receivable and liabilities, is believed to equal their carrying amounts.

3. Investments

Short-term investments of \$ 4,447,857 consist of guaranteed Securities of Canada and as at December 31, 1996, their fair value is \$ 4,584,637.

Long-term investments of \$ 3,684,570 consist of Canada bonds and as at December 31, 1996, their fair value is \$ 3,961,695.

4. Fixed Assets

	1996			1995
	Cost	Accumulated Depreciation	Net Value	Net Value
Land	\$ 11,155,836	\$ –	\$ 11,155,836	\$ 11,155,836
Dredging	4,561,341	4,175,795	385,546	413,608
Berthing structures	24,482,884	20,275,273	4,207,611	4,332,888
Buildings	42,551,877	23,313,666	19,238,211	20,311,918
Utilities	20,041,220	7,924,292	12,116,928	12,949,151
Roads and surfaces	6,507,709	5,331,396	1,176,313	1,204,030
Machinery and equipment	1,103,687	705,573	398,114	302,763
Office furniture and equipment	730,032	611,446	118,586	60,786
Projects in progress	2,176,187	–	2,176,187	1,881,443
	\$ 113,310,773	\$ 62,337,441	\$ 50,973,332	\$ 52,612,423

Projects in progress include an amount of \$1,580,000 for studies and construction plans. Management believes that these costs will be charged to specified fixed assets.

Notes to the Financial Statements

Year ended December 31, 1996

5. Loans from the Interport Loan Fund

	1996	1995
Loans bearing interest		
8.5% and 8.73%, payable in annual installments of \$372,512 including interest, written off in 1996	\$ -	\$ 3,266,328
8.07% and 7.54%, payable in annual installments of \$320,839 including interest, written off in 1996	-	3,051,209
	-	6,317,537
Current portion of long-term debt	-	174,838
	\$ -	\$ 6,142,699

6. Contributed Capital

As of March 31, 1996, loans from the Interport Loan Fund have been forgiven for an amount of \$ 6,317,537 which has been credited to contributed capital.

7. Related Party Transactions

During the year, the Corporation entered into transactions with related entities including various departments, government organizations and Crown Corporations.

Principally, the Corporation earned rental revenues of \$638,000 (1995 - \$606,000) from related entities. The expenses paid to related parties mainly consist in reimbursements of \$417,000 (1995 - \$529,000) to Canada Ports Corporation as its share of the Corporation's head office expenses.

The Corporation has accounts payable of \$243,000 (1995 - \$229,000) and accounts receivable of \$203,000 (1995 - \$118,000) with the same related parties.

8. Contingencies

Claims for an estimated amount of approximately \$5,000,000 have been received by the Corporation concerning the ownership of certain lands. Any amount payable in connection with those claims will be capitalized to the cost of land.

In the Corporation's view, its position is defensible and the final outcome of such claims should not result in any material loss.

9. Transportation System Review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1996 of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*.

At this time, the impact upon the Corporation is not known, but it is not expected to have a significant impact on operations.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

Board of Directors

René Paquet *
Chairman
Langlois Robert, s.e.n.c.
Lawyers
Québec, Quebec

Jean-Paul Morency * | **
Vice Chairman
Québec, Quebec

Margo Brousseau ***
Lawyer
Sainte-Foy, Quebec

Yvon Dolbec
Dolbec Y. Logistique Int'l inc.
Vanier, Quebec
(deceased February 27, 1996)

William Keays ***
Groupe Conseil Gesco
St-Jean-Chrysostome, Quebec

* Member, Executive Committee

** President, Port Clients Committee

*** Member, Audit Committee

Officers of the Corporation

Ross Gaudreault
President and Chief Executive Officer

Mario Bernard
Vice President, Finance

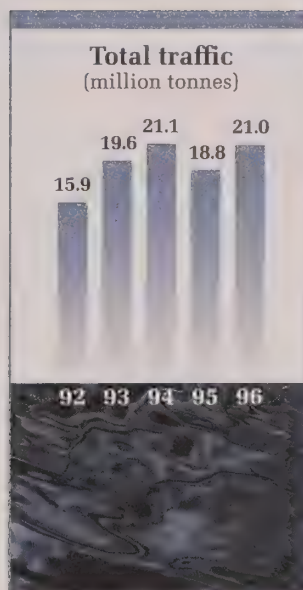
Yvon Bureau
Vice President, Operations

Alexis Ségal
Vice President, Marketing

Richard Hughes
Acting Director, Police



Saint John Port Corporation **1996**



Joint Message from the Chairman of the Board and the President and Chief Executive Officer

We are pleased to present the Annual Report of the Saint John Port Corporation for the year 1996, a banner year for Saint John with record tonnage, traffic and net profits. These record breaking accomplishments have put the port in excellent position for future growth and prosperity.

This record breaking year was a direct result of building on core strengths—diversification, productivity, customer service, and above all, teamwork within the port community.

Our highlights of 1996 include:

- Increased traffic, setting records in most sectors, resulting in a total port tonnage of over 21 million tonnes.
- Increased utilization of port assets leading most transit warehouses to be fully utilized all year.
- The elimination of \$38 million of federal and provincial debt.
- An enhanced capital and major maintenance program finalizing a six year capital commitment.
- A restructuring of port staff resulting in significantly reduced administration overhead.
- Development of new forest product and dry bulk facilities.
- And most noteworthy, a record year financially, realizing a net profit of over \$2 million, our best performance in history and a ten fold increase over last year.

As a result of these accomplishments, we were able to hold port tariffs for yet another year at the rate set in 1990.

Traffic

Total traffic through the Port of Saint John exceeded 21 million tonnes resulting in a 12 percent increase over last year. Record tonnage was recorded in potash, 1.6 million tonnes and forest products, one million tonnes. Salt, sugar, and oil were up 53 percent, 15 percent and 11 percent respectively. We also saw the most containers handled through the port in over a decade.

The private facilities of Irving Oil and Lantic Sugar also had banner years. Raw sugar imports topped Lantic Sugar's best year and Irving Oil's petroleum imports and exports continued and led to a new record for their Saint John refinery.

Financial Results

In 1996 we recorded our highest earnings in history. We realized a net profit of \$2.1 million, up tenfold over last year. This financial stability positions us well for the implementation of the proposed *Canada Marine Act*. Financial success can be attributed to the elimination of the federal and provincial debts, resulting in a savings in 1996 of \$1.6 million in interest payments; record traffic yielding increased gross revenues; and a restructuring of personnel and implementation of a cost reduction program. Investment income generated \$432,000 of additional revenue.

Our cash and investments of \$9 million at the end of 1996 was over \$5 million higher than for 1995.

New Opportunities

In an effort to continue the diversity of our port we added the commodities of fish meal, fish oil and diammonium phosphate to our base. These products serve the aquaculture and agriculture industries in New Brunswick.

Early in 1996, we called for proposals for a dry bulk facility at our port. Upon reviewing all the submissions, Furncan Marine, a division of Empire Stevedoring, was chosen. Working closely with them, we look forward to realizing this new facility during 1997. The fall of 1996 saw the beginning of construction of a fourth forest products transit warehouse at Forterm, the forest products ter-

minal. This new shed will add 250,000 tonnes of capacity to our operation.

Our capital investment and major maintenance program was in excess of \$3.6 million during 1996. This included the annual dredging of our berths, paving, completion of a ten year berth refacing program, and upgrading of various sheds around the port. An immigration building, long since vacated, was demolished in preparation for the new dry bulk terminal. In addition, the Broad Street wharf was removed as was Shed 13.

A renewed sense of teamwork and open communication with the port community has led to the tremendous success of the past year. We congratulate terminal operators, port labour, vessel agents, shippers, and carriers on a job well done. Our management team is looking forward to building upon this cooperation during 1997.

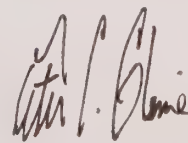
The Saint John Port Corporation also welcomes the initiative of private industry in the creation of the Port of Saint John Employers Association. This endeavour will allow terminal operators and port labour to enjoy more local autonomy.

The Corporation continues to work closely with the users through the Saint John Gateway Council and have established a number of task forces to deal with channel dredging, police security, taxation, marine services fees and pilotage. The Board of Directors and port management will continue to work with these groups to the benefit of the port community.

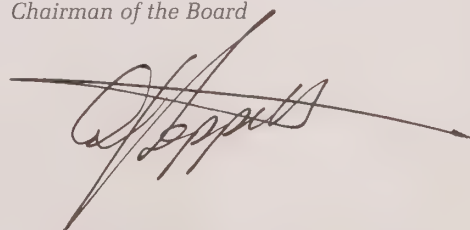
We would like to express our thanks to the provincial and federal governments for their support over the past year and their efforts in eliminating our debt, and to the City of Saint John for its on-going support and interest.

We would also like to take this opportunity to recognize the commitment and support of our Board of Directors. Thanks are also expressed to the staff of the Corporation for their continued dedication and excellence. Our staff of twenty-four collectively represent four hundred and forty-four years of service and were instrumental in achieving our financial performance. Our management team was joined this year by Colleen Mitchell as Vice President of Marketing and Communications and Captain Peter Turner, as Harbour Master.

With efficient management, reduced costs, and increased revenues, the Saint John Port Corporation looks forward to a productive and successful 1997 and will diligently work with port interests to maintain the excellence that was achieved during 1996.



Peter S. Glennie, Q.C.
Chairman of the Board



Alwyn G. Soppitt
President and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P. C., M. P.,
Minister of Transport

We have audited the balance sheet of the Saint John Port Corporation as at December 31, 1996 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the by-laws of the Corporation.

Ernst & Young

Chartered Accountants
Saint John, New Brunswick
February 13, 1997

Balance Sheet

	1996	1995
<i>As at December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Assets		
Current:		
Cash	\$ 122	\$ 48
Investments [note 3]	7,922	2,846
Accounts receivable	2,608	1,123
	10,652	4,017
Long-term:		
Long-term investments [note 3]	983	980
Fixed assets [note 4]	57,879	59,131
	58,862	60,111
Total assets	\$ 69,514	\$ 64,128
Liabilities and Equity of Canada		
Current:		
Accounts payable and accrued charges	\$ 2,146	\$ 1,070
Deferred revenues	2,523	143
Grants in lieu of municipal taxes	551	591
	5,220	1,804
Long-term:		
Loans from Canada [note 5]	—	18,052
Financing provided by a province [note 5]	—	19,696
Accrued employee benefits	367	533
	367	38,281
	5,587	40,085
Equity of Canada:		
Contributed capital [note 6]	61,659	23,910
Retained earnings	2,268	133
	63,927	24,043
Total liabilities and equity of Canada	\$ 69,514	\$ 64,128

See accompanying notes.

On behalf of the Board:

Peter S. Glennie

Peter S. Glennie, Q.C.
Chairman

Alwyn G. Soppitt

Alwyn G. Soppitt
President and Chief Executive Officer

Saint John Port Corporation

Statements of Income and Retained Earnings

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Revenues from operations	\$ 13,456	\$ 12,095
Expenses		
Operating and administrative	8,945	8,086
Depreciation	1,595	1,553
Grants in lieu of municipal taxes	705	624
Gain on disposal of fixed assets	(15)	(12)
	11,230	10,251
Income from operations	2,226	1,844
Investment income	433	465
Interest expense	(524)	(2,125)
	(91)	(1,660)
Net income	2,135	184
Retained earnings (deficit), beginning of year	133	(20,603)
	2,268	(20,419)
Retained earnings adjustment [note 7]	—	20,552
Retained earnings, end of year	\$ 2,268	\$ 133

See accompanying notes.



Saint John Port Corporation

Statement of Cash Flows

49

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Cash provided by (used in)		
Operations		
Net income	\$ 2,135	\$ 184
Add items not requiring a cash payment		
Depreciation	1,595	1,553
Gain on disposal of fixed assets	(15)	(12)
Other	(165)	75
	3,550	1,800
Net change in non-cash working capital balances [note 8]	1,931	(569)
	5,481	1,231
Financing		
Forgiveness of long-term debt	37,749	—
Addition to contributed capital	(37,749)	—
	—	—
Investing		
Additions to fixed assets	(343)	(499)
Long-term investments	(3)	(4)
Proceeds on disposal of fixed assets	15	12
	(331)	(491)
Increase in cash	5,150	740
Cash position, beginning of year	2,894	2,154
Cash position, end of year	\$ 8,044	\$ 2,894

Cash position consists of cash and short-term investments.

See accompanying notes.



Saint John Port Corporation

Notes to the Financial Statements

Year ended December 31, 1996

1. *Canada Ports Corporation Act and Incorporation*

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of Saint John was approved and the Saint John Port Corporation was incorporated under the laws of Canada effective at the closing of business on December 31, 1986 and commenced operations January 1, 1987.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred to the Saint John Port Corporation at their carrying values in the accounts of the Canada Ports Corporation—Port of Saint John.

2. *Significant Accounting Policies*

Investments

The investments are shown at amortized cost whereby premiums or discounts from par value are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost except for those transferred to the Corporation from Canada which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation is calculated on the straight-line basis for the full year, commencing with the year the asset becomes operational using rates as follows:

Asset	Depreciation Rates %
Dredging	2.5 – 6.7
Berthing structures	2.5 – 10.0
Buildings	2.5 – 10.0
Utilities	3.3 – 10.0
Roads and surfaces	2.5 – 10.0
Machinery and equipment	5.0 – 100.0
Office furniture and equipment	20.0

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions represent the liability of the Corporation for pensions and are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

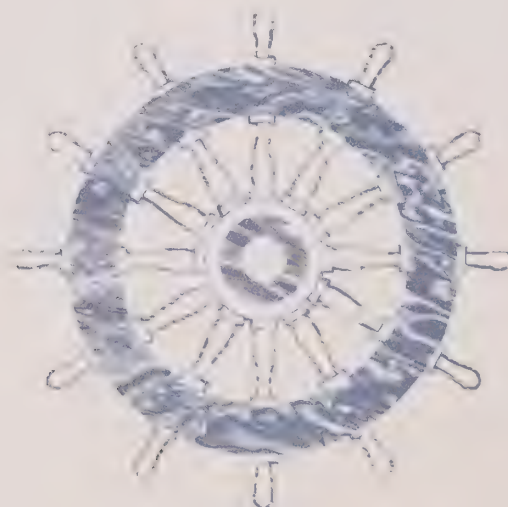
Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay and annual leave which are payable to its employees in subsequent years under its collective agreements or in accordance with its policy.

3. *Investments*

Investments are direct and guaranteed securities of Canada as follows:

	1996		1995	
	(in thousands of dollars)			
	Amortized Cost	Face Value	Amortized Cost	Face Value
Canada Treasury Bills	\$ 7,922	\$ 7,969	\$ 2,846	\$ 2,899
Canada Bonds	\$ 983	\$ 1,000	\$ 980	\$ 1,000



Notes to the Financial Statements

Year ended December 31, 1996

4. Fixed Assets

	1996		1995	
	(in thousands of dollars)			
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 31,755	\$ —	\$ 31,755	\$ —
Dredging	1,739	1,594	1,739	1,590
Berthing structures	48,861	36,154	49,117	35,875
Buildings	16,163	7,242	16,035	6,873
Utilities	7,438	5,421	7,394	5,256
Roads and surfaces	7,216	5,497	7,751	5,720
Machinery and equipment	1,120	713	1,096	607
Office furniture and equipment	1,358	1,236	1,330	1,165
Work under construction	86	—	—	—
	\$ 115,736	\$ 57,857	\$ 116,217	\$ 57,086
Accumulated depreciation	57,857		57,086	
Net book value	\$ 57,879		\$ 59,131	

5. Forgiveness of Long-Term Debt

During the year, term loans in the amount of \$18,052,457 from Canada, bearing interest at 11% to 12.43% maturing between December 31, 1998 and 2005, were forgiven under *The Supplementary Estimates and the Appropriation Act*.

Also, during the year, the balance of a loan in the amount of \$19,696,119 provided by the Province of New Brunswick, the repayment of which had been linked to the net operating income of Rodney Terminal Complex, was forgiven by the New Brunswick Transportation Authority.

Forgiveness of the two loans has been credited to Contributed Capital.

6. Adjustment to Contributed Capital

	1996	1995
	(in thousands of dollars)	
Contributed capital, beginning of year	\$ 23,910	\$ 44,462
Transfer to retained earnings [note 7]	—	(20,552)
Forgiveness of debt from Canada [note 5]	18,053	—
Forgiveness of debt from the Province of New Brunswick [note 5]	19,696	—
Contributed capital, end of year	\$ 61,659	\$ 23,910

7. Retained Earnings Adjustment

In 1994, the Corporation reviewed the carrying value of all its terminal facilities. On an individual basis the carrying value of each terminal was compared to its net recoverable amount. For those terminals where the carrying value was in excess of the net recoverable amount, the carrying value was adjusted to the higher of net recoverable amount or the fair market value of the residual land. The amount of the adjustment was \$20,552,000.

During 1995, permission was obtained from the Minister of Transport to transfer \$20,552,000 to retained earnings from contributed capital. As a result of the transfer from contributed capital, retained earnings will reflect the cumulative results of the Corporations' regular operations.



Notes to the Financial Statements

Year ended December 31, 1996

8. Net Change in Non-Cash Working Capital Balances

	1996	1995
	(in thousands of dollars)	
Decrease (increase) in current assets:		
Accounts receivable	\$ (1,485)	\$ (355)
	(1,485)	(355)
Increase (decrease) in current liabilities:		
Accounts payable and accrued charges	1,076	369
Deferred revenues	2,380	(121)
Grants in lieu of municipal taxes	(40)	(462)
	3,416	(214)
	\$ 1,931	\$ (569)

9. Related Party Transactions

During the year the Corporation paid \$389,094 [1995 - \$505,116] to Canada Ports Corporation as its share of that Corporation's head office expense.

During the year the Corporation paid \$690,204 [1995 - \$782,223] for the provision of protective services, per agreement with Canada Ports Corporation. During 1995, the responsibility for payment of these services was transferred from Canada Ports Corporation to the Corporation. As a result, \$663,090 was reimbursed to Canada Ports Corporation for these services

in 1995. The remainder of the 1995 balance and the entire 1996 amount has been paid to various unrelated suppliers.

10. Transportation System Review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*. At this time, the impact upon the Corporation is not known.

Board of Directors

Peter S. Glennie, Q.C. *
Chairman
Patterson Palmer Hunt Murphy
Saint John, New Brunswick

David L. Doyle *
Vice Chairman
Teed Saunders Doyle & Co.
Saint John, New Brunswick

Malcolm R. Baxter *|**
Baxter Foods Limited
Saint John, New Brunswick

William R. Leahy **
McMillan Lingley
Saint John, New Brunswick

Keri L. Walker **
Buckley and Walker
Chartered Accountants
Sussex, New Brunswick

* Member, Executive Committee

** Member, Audit Committee

Officers of the Corporation

Peter S. Glennie, Q.C.
Chairman

David L. Doyle
Vice Chairman

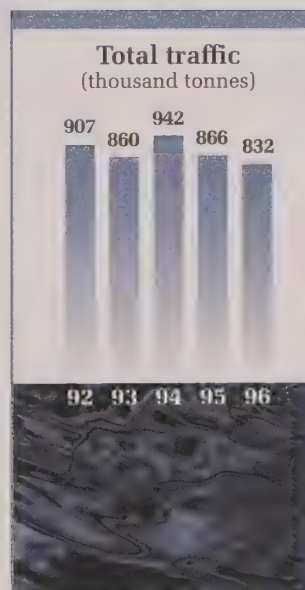
Alwyn G. Soppitt
President and Chief Executive Officer

Ardith L. Bartlett
Corporate Secretary





St. John's Port Corporation **1996**



The St. John's Port Corporation is pleased to submit its Annual Report on the financial results and operating activities of the Corporation for the year 1996.

As part of a seamless transportation network, the Corporation continues to effectively respond to regional industrial growth and the needs of port users. The port's location, facilities, and quality service are critical to the successful diversification of the regional economy, outside the fishery.

The Corporation's mission is "to provide reliable, economic, and efficient port services for the purposes of supporting Canadian trade, fostering regional economic development, and serving Newfoundland's distribution requirements."

Net income for 1996 was \$609,000 and compares favourably with the net income of \$354,000 for 1995. The major contributing factors to the positive financial results for 1996 are: a five percent increase in operating revenues mainly due to increased rental revenues; and substantially less repair and maintenance projects, which resulted in a four percent decrease in expenses. Overall, the 1996 financial results were very positive in that most budgeted targets were either achieved or exceeded.

Total traffic through the Port of St. John's amounted to 832,455 tonnes in 1996, a decrease of 3.9 percent compared to the 866,191 tonnes handled in 1995. Containerized general cargo increased by 2.2 percent compared to the previous year. During 1996, the port handled 342,278 tonnes of containerized general cargo compared to 334,869 tonnes in 1995. Total TEUs handled at the Corporation's facilities in 1996 amounted to 83,983, compared to 78,676 in 1995, an increase of 6.7 percent. Trailer units moving over port facilities amounted to 7,355, an increase of 17 percent over 1995. The total volume of new vehicles shipped through the port in 1996 totalled 12,144 units compared to 13,466 in 1995, a decline of 9.7 percent. Total volume of liquid bulk discharged at the port in 1996, 335,848 tonnes, was on par with 1995.

During 1996, the port recorded 706 commercial vessel arrivals compared to 494 the previous year, an increase of 43 percent. The corresponding gross registered tonnage amounted to 3.6 million for 1996, an increase of 11.5 percent over 1995. This increase in vessel traffic is as a result of the port's decision to levy port charges on all government vessels using the Corporation's facilities.

The Hibernia oilfield, Canada's first significant offshore oil development project, located 315 kilometres southeast of St. John's, will diversify the regional economy, strengthen the province's economic base in the future and provide about 12 percent of Canada's oil supply.

The Port of St. John's has been chosen by the Hibernia consortium as the site for the location of a shore base facility to service its offshore production operation. After an extensive review of proposals, A. Harvey and Company Ltd. was awarded this contract and is presently carrying out a significant upgrade to its property. It is estimated that 116,000 tonnes of cargo will be handled at the supply base annually.

The Corporation continued, in conjunction with the City of St. John's, the Province of Newfoundland and Labrador, and the New Atlantic Frontier Association, its cost-shared marketing and promotional activities aimed at attracting cruise vessels. The Corporation is also an active

partner in an association recently formed to promote The Viking Trail. The project is based on the cooperation between cruise oriented ports on both sides of the Atlantic—Canada, Greenland, Iceland, Faeroe Islands, Norway and Denmark. The basic objective of the initiative is to promote the ports that participate in the project as Viking related cruise destinations.

During 1996, the total economic impact from cruise ships visiting the Port City of St. John's amounted to \$220,000. We anticipate a substantial increase in cruise ship visitations in 1997, as a result of the aggressive marketing campaign of the Corporation and the City of St. John's.

Ports Canada Police continue to ensure a safe and secure environment in which to conduct business by providing a proactive policing service.

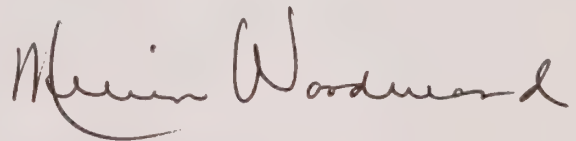
To deal effectively and efficiently with marine emergencies that may occur, the Corporation, in conjunction with Ports Canada Police, developed a "Port Emergency Plan" in 1996. The first test of the plan was conducted on September 12, 1996, and involved officials from federal, provincial, and municipal governments, as well as private business firms and volunteer organizations.

Exercise "Flashpoint '96", a one-half day mock disaster, was designed to simulate a major marine and land based emergency. The aim of the exercise was to test the ability of the St. John's Port Corporation to manage a major ship-board accident in which stevedores, port workers and visitors were involved. It also provided other participating agencies with the opportunity to exercise their emergency response plans.

It is expected that the St. John's Port Corporation will achieve Canada Port Authority status under the proposed *Canada Marine Act*, enabling it to continue the process of adopting a new, more enterprising orientation. With a mandate to operate with full commercial discipline, the Corporation will gain more autonomy in areas such as contracts, leases, tariffs and financing.

The St. John's Port Corporation is pleased to advise the shareholders that all necessary administrative and financial procedures and controls are in place to ensure assets are safeguarded and to achieve the objectives of the Corporation.

The Board and staff of the St. John's Port Corporation would like to express appreciation to customers and the marine community for their business during 1996. The Corporation is committed to the provision of reliable, economic, and efficient port services for the purposes of supporting Canadian trade, fostering regional development, and serving Newfoundland's distribution requirements during 1997.



Melvin Woodward
Chairman of the Board



David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

Auditors' Report

To the Honourable David Anderson, P. C., M. P., Minister of Transport

We have audited the balance sheet of St. John's Port Corporation as at December 31, 1996 and the statements of earnings and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of

the Corporation as at December 31, 1996 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our examination of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Ports Corporation Act* and the bylaws of the Corporation.

Chartered Accountants
St. John's, Newfoundland
February 12, 1997

Balance Sheet

	1996	1995
<i>As at December 31, 1996</i>		
Assets		
Current:		
Cash	\$ 40,800	\$ 158,769
Investments (Note 3)	5,202,391	4,107,873
Accounts receivable	537,485	541,934
	5,780,676	4,808,576
Fixed (Note 4)	11,779,103	11,997,317
	\$ 17,559,779	\$ 16,805,893
Liabilities		
Current:		
Accounts payable and accrued liabilities	\$ 300,801	\$ 250,401
Grants in lieu of municipal taxes	167,226	118,164
Deferred revenues	157,143	140,986
	625,170	509,551
Accrued employee benefits	231,731	202,538
	856,901	712,089
Equity of Canada:		
Contributed capital	10,131,636	10,131,636
Surplus	6,571,242	5,962,168
	16,702,878	16,093,804
	\$ 17,559,779	\$ 16,805,893

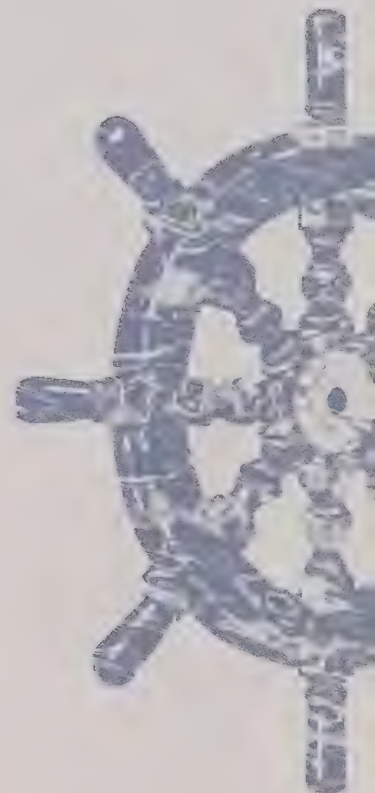
Contingencies (Note 6)

See accompanying notes to the financial statements.

On behalf of the Board:

Melvin Woodward
Chairman

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer



St. John's Port Corporation

Statements of Earnings and Surplus

	1996	1995
<i>Year ended December 31, 1996</i>		
Revenue from operations	\$ 3,084,430	\$ 2,934,299
Operating and administrative expenses	1,762,739	1,895,239
Depreciation	848,424	923,333
Grants in lieu of municipal taxes	129,777	31,390
	2,740,940	2,849,962
Earnings from operations	343,490	84,337
Investment income	265,584	269,236
Net earnings	\$ 609,074	\$ 353,573
Surplus, beginning of year	\$ 5,962,168	\$ 5,608,595
Net earnings	609,074	353,573
Surplus, end of year	\$ 6,571,242	\$ 5,962,168

See accompanying notes to the financial statements.

Statements of Changes in Financial Position

	1996	1995
<i>Year ended December 31, 1996</i>		
Cash derived from (applied to)		
Operating		
Net earnings	\$ 609,074	\$ 353,573
Depreciation	848,424	923,333
Other non-cash items	29,193	57,119
	1,486,691	1,334,025
Change in non-cash operating working capital (Note 5)	5,054	(136,898)
	1,491,745	1,197,127
Financing		
Change in construction payables	115,014	14,695
Investing		
Purchase of fixed assets	(631,210)	(187,999)
Disposal of fixed assets	1,000	208
	(630,210)	(187,791)
Net increase in cash	976,549	1,024,031
Cash and short term investments		
Beginning of year	4,266,642	3,242,611
End of year	\$ 5,243,191	\$ 4,266,642

See accompanying notes to the financial statements.

Notes to the Financial Statements

December 31, 1996

1. Local Port Corporation

In accordance with the *Canada Ports Corporation Act*, a petition for the establishment of a local port corporation at the Port of St. John's was approved and the St. John's Port Corporation was established effective June 1, 1985.

In accordance with the *Canada Ports Corporation Act*, the assets, liabilities and equity were transferred at their carrying values in the accounts of the Canada Ports Corporation—Port of St. John's to the St. John's Port Corporation.

2. Summary of Significant Accounting Policies

Investments

The investments, which are direct and guaranteed securities of Canada, are shown at amortized cost. Premiums or discounts are amortized over the periods to maturity.

Fixed assets

Fixed assets are recorded at cost, except for those transferred to the Corporation from Canada, which are recorded at appraised or fair market value established at the time of transfer. Grants towards capital projects received from Canada and from third parties are deducted from the cost of the related fixed assets.

Depreciation

Depreciation is recorded on the straight-line basis for the full year, commencing with the year the asset becomes operational, using rates as follows:

Dredging	2.5%
Berthing structures	2.5 – 10%
Buildings	2.5 – 10%
Utilities	3.3 – 10%
Roads and surfaces	2.5 – 10%
Machinery and equipment	5 – 100%
Office furniture and equipment	20 – 33.3%

Pension costs

All permanent employees of the Corporation are covered by the Public Service Superannuation Plan administered by Canada. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Grants in lieu of municipal taxes

The expense for grants in lieu of municipal taxes is based on estimated municipal assessments adjusted in accordance with the *Municipal Grants Act*. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works and Government Services Canada. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

Employee benefits

The Corporation accrues in its accounts, annually, the estimated liabilities for severance pay, annual leave and overtime compensatory leave, which are payable to its employees in subsequent years in accordance with its policy.

3. Investments

	1996		1995	
	Amortized Cost	Face Amount	Amortized Cost	Face Amount
Short term	\$ 5,202,391	\$ 5,311,000	\$ 4,107,873	\$ 4,230,000

4. Fixed Assets

	1996		1995	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 5,090,796	\$ —	\$ 5,090,796	\$ 4,736,134
Dredging	19,500	487	19,013	—
Berthing structures	11,111,492	7,643,366	3,468,126	3,718,700
Buildings	1,366,194	981,437	384,757	414,896
Utilities	3,520,901	1,824,727	1,696,174	1,848,397
Roads and surfaces	4,019,840	3,291,190	728,650	1,046,396
Machinery and equipment	357,419	214,011	143,408	162,572
Office furniture and equipment	271,300	240,363	30,937	26,542
Projects under construction	217,242	—	217,242	43,680
	\$ 25,974,684	\$ 14,195,581	\$ 11,779,103	\$ 11,997,317



Notes to the Financial Statements

December 31, 1996

5. Change in Non-Cash Operating Working Capital

	1996	1995
Accounts receivable	\$ 4,449	\$ 25,576
Accounts payable and accrued liabilities	(64,614)	9,015
Grants in lieu of municipal taxes	49,062	(173,562)
Deferred revenues	16,157	2,073
	\$ 5,054	\$ (136,898)

6. Contingent Liabilities

Claims aggregating approximately \$364,000 arising from alleged damages suffered on the Corporation's property have been received by the Corporation. The Corporation is a third party defendant, and has denied any liability, and no material loss is anticipated.

7. Related Party Transactions

During the year the Corporation paid \$127,240 (1995 - \$161,137) and \$ Nil (1995 - \$143,488) to Canada Ports Corporation as its share of that Corporation's head office expense and police services respectively.

8. Marine Policy Review

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation of a new *Canada Marine Act* superceding the *Canada Ports Corporation Act*. At this time, the impact upon the Corporation is not known.

Board of Directors

Melvin Woodward *
Chairman
Woodward Group of Companies
Goose Bay, Labrador

Sean Hanrahan *
Vice Chairman
Lawyer
St. John's, Newfoundland

Margaret Green Warren **
Legislative Assistant
St. John's, Newfoundland

Thomas Doyle *|**
Consultant
St. John's, Newfoundland

Carol McDonald **
Retired Business Person
St. John's, Newfoundland

* Member, Executive Committee

** Member, Audit Committee

Officers of the Corporation

Melvin Woodward
Chairman

Sean Hanrahan
Vice Chairman

David J. Fox, P. Eng.
Port Manager and Chief Executive Officer

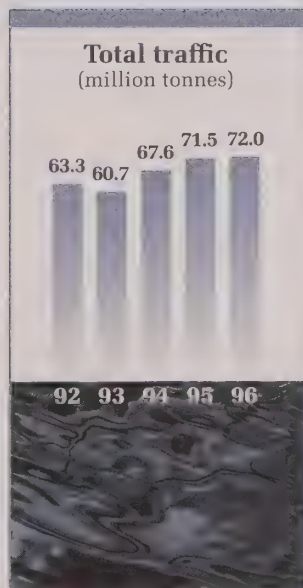
Brian Scott
Manager, Finance and Administration

Captain Henry Flight
Harbour Master

Kathleen Murphy
Corporate Secretary



Vancouver Port Corporation 1996



The Port of Vancouver handled a record 72 million tonnes in 1996, eclipsing the previous high of 71.5 million tonnes set in 1995.

Container traffic experienced an extraordinary gain of 24 percent to 616,700 TEUs, up from 496,000 TEUs in 1995. This increase is attributable to greater traffic from established customers together with the introduction of Hanjin, Sealand/Maersk and Hyundai/K-Line which started calling at the port. The recapture of Canadian freight, previously handled by Seattle, Tacoma and Portland, gave Vancouver the largest percentage increase in containers amongst all ports on the west coast of North America.

Bulk cargo, primarily coal, grain, sulphur, potash and chemicals, represented 85 percent of the port's tonnage, up two percent from the previous year. A five percent increase in coal shipments, the single largest commodity handled, to a record 27.8 million tonnes made up most of this growth.

Sulphur shipments totalled 5.1 million tonnes. Phosphate rock remained unchanged at one million tonnes. Grain shipments remained relatively unchanged at 12.2 million tonnes, about 10 percent lower than anticipated due to a year-end shortfall caused by harsh winter weather on the Prairies.

General cargo, representing eight percent of total tonnage, declined by 24 percent to 5.8 million tonnes owing to the transfer to a neighbouring port of some two million tonnes of domestic cargo moving by barge to Vancouver Island. Other components of general cargo, mainly wood pulp and lumber, remained close to previous levels.

The Vancouver-Alaska cruise market grew for the 14th consecutive year. Revenue passengers totalled 701,500, an increase of 18 percent from 596,000 passengers in 1995.

The exceptional growth in containers, cruise and coal during 1996 underscores the port's diversity and competitiveness. The entire port community has worked together to retain existing business and attract new customers. Although international competition for traffic is increasing, Vancouver Port Corporation (VPC) efforts have resulted in the port moving from third to second place in North America for total foreign tonnage.

Foreign exports of 63.3 million tonnes account for 88 percent of total VPC tonnage, up a significant five percent. Asia Pacific economies, led by Japan, South Korea and China, were the primary destinations representing 67 percent of all exports at 42.4 million tonnes. About 57 percent of the port's export tonnage originates in Alberta and Saskatchewan.

VPC regularly organizes Port Users' Conferences to provide a forum for shippers, carriers, terminal operators, labour, government representatives and business leaders to openly discuss issues of concern and to initiate positive responses. In 1996, a conference was held in Toronto with special emphasis on containers. These forums are part of the port's commitment to excellence in customer service.

VPC also hosted two highly successful international conferences during the year. The 8th Pan-Pacific Ports Conference in June attracted 200 representatives from 34 port authorities in 12 Asia Pacific countries. In September, a record 926 delegates and guests attended the annual conference of the American Association of Port Authorities, serving the ports of Canada, Caribbean, Latin America and the United States.

VPC entered into a sister port relationship with the Port of Guangzhou in southern China. Vancouver now has the unique distinction of having its own office in Beijing and sister ports at Dalian in the north, Shanghai in the centre and Guangzhou in the south.

VPC's capital investments amounted to \$96.8 million as development of the new, state-of-the art, container terminal, to be known as Deltaport, neared completion. Located at Roberts Bank, this \$235 million project, of which VPC's share is \$180 million, is on time and on budget.

Deltaport, which will start operations in April 1997, doubles Vancouver's container capacity to more than 1.2 million TEUs per year. The dynamic growth in container throughput since late 1995 has stretched existing terminal capacity in Burrard Inlet to the limit, making Deltaport's opening a timely and welcome event.

Work commenced on the ten acre expansion of Centerm which is a 50/50 joint venture with the terminal operator, Canadian Stevedoring.

Saskatchewan Wheat Pool and Cargill Limited carried out extensive feasibility studies on the development of an export grain terminal at Roberts Bank. An independent review panel assessed the project and judged it to be environmentally acceptable, subject to certain conditions.

To promote development and increase income from existing assets, VPC negotiated a 10-year lease with a subsidiary of B.C. Ferries for a North Vancouver waterfront site to allow construction of an assembly building for the manufacture of new, high speed catamaran ferries.

VPC completed a tri-party agreement with the City of Vancouver and private industry for lands to construct a new overpass connecting a major highway directly to a dedicated port roadway, thereby keeping port traffic off residential streets.

In 1996, VPC's Environmental Services completed several important projects to maintain an exemplary level of environmental stewardship. Sub-tidal refugia structures were built along the west face of the Centerm container terminal to replace habitat benching which was starting to crumble from wave action.

VPC public affairs' initiatives included the introduction of a \$25,000 annual scholarship program for high school and post secondary students, an amenity package with the Municipality of Delta, the traditional summer exchange of two students with the Port of Sept-Îles and an expanded summer outreach program on port activities aimed at youth.

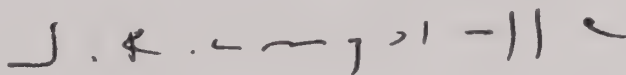
VPC had operating revenues of \$64.8 million and net income from operations and investments of \$17.9 million. However, there are two exceptional adjustments to the 1996 financial results. Grants-in-lieu of municipal taxes were revised, after municipal grants' audits, by \$7.5 million in VPC's favour. On the other hand, a comprehensive revaluation of certain assets of Canada Place Corporation, a wholly-owned subsidiary, by its external auditor was undertaken to determine whether the carrying amount of the assets would be fully recoverable. This result is the carrying amount of the Canada Place being written down by \$26.1 million to its net recoverable amount based on projected, undiscounted, future net cash flows. The overall effect of these two adjustments is a net loss for VPC of \$508,000.

The port worked cooperatively with west coast shipping interests to devise a formula for the recovery of federal marine charges which was fair to users and commensurate with the cost of services provided regionally by the Coast Guard.

VPC made representations to the Standing Committee on Transportation (SCOT) regarding Bill C-44 [*Canada Marine Act*] recommending legislative amendments to improve the competitive position of national ports and to enhance their capacity to be economic generators. VPC is pleased that SCOT and Transport Canada took major steps to optimize the powers, flexibility, autonomy and accountability of national ports within the context of federal agent status.

The passage of the *Canada Marine Act* and the consequential streamlining of decision making, the elimination of Canada Ports Corporation, the vesting of final authority in a board of directors (which then will have federal, provincial,

municipal and user nominations) and the elimination of special drawdowns all will be positive for the Port of Vancouver.



J. Ron Longstaffe
Chairman of the Board



Norman C. Stark
President and Chief Executive Officer

Auditors' Report

**To the Honourable David Anderson, P. C., M. P.,
Minister of Transport**

We have audited the consolidated balance sheet of the Vancouver Port Corporation as at December 31, 1996 and the consolidated statements of operations and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during the examination of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, and the charter and by-laws of the Corporation.



Chartered Accountants
Vancouver, British Columbia
February 7, 1997



Vancouver Port Corporation

Consolidated Balance Sheet

	1996	1995
As at December 31, 1996	(in thousands of dollars)	
Assets		
Current assets:		
Cash	\$ 2,411	\$ 2,222
Investments (note 2)	80,777	55,387
Accounts receivable	10,774	9,737
	93,962	67,346
Long-term receivables (note 3)	12,050	12,495
Property and equipment (note 4)	427,733	367,808
	\$ 533,745	\$ 447,649
Liabilities and Equity of Canada		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 32,062	\$ 25,901
Grants in lieu of municipal taxes	1,397	7,428
Deferred revenue	5,984	3,999
	39,443	37,328
Accrued employee benefits	1,636	1,198
Long-term loans (note 5)	131,638	44,324
	172,717	82,850
Equity of Canada:		
Contributed capital	150,259	150,259
Retained earnings	210,769	214,540
	361,028	364,799
Commitments (note 7)		
Contingencies (note 8)		
	\$ 533,745	\$ 447,649

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. Ron Longstaffe

J. Ron Longstaffe
Chairman

Thomas G. White

Thomas G. White
Director



Consolidated Statement of Operations and Retained Earnings

	1996	1995
<i>As at December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Operating revenue	\$ 64,800	\$ 62,531
Expenses:		
Operating and administrative expenses	28,384	29,658
Grants in lieu of municipal taxes	5,119	7,608
Depreciation	10,776	11,789
	44,279	49,055
Income from operations	20,521	13,476
Investment income	4,234	4,113
Interest expense	(6,617)	(2,916)
	(2,383)	1,197
Recoveries of (adjustments to) prior years' grants in lieu of municipal taxes (note 8(a))	7,514	(1,392)
Write-down of property and equipment (note 4)	(26,160)	(1,211)
Net income (loss)	(508)	12,070
Retained earnings, beginning of year	214,540	206,823
	214,032	218,893
Dividend payment to Canada	(3,263)	(4,353)
Retained earnings, end of year	\$ 210,769	\$ 214,540

See accompanying notes to consolidated financial statements.



Vancouver Port Corporation

Consolidated Statement of Changes in Financial Position

	1996	1995
<i>Year ended December 31, 1996</i>	<i>(in thousands of dollars)</i>	
Cash provided by (used for):		
Operations		
Net income (loss)	\$ (508)	\$ 12,070
Items not involving cash:		
Depreciation	10,776	11,789
Write-down of fixed assets	26,160	1,211
Other	1,052	180
Changes in non-cash operating working capital	1,078	13,777
	38,558	39,027
Financing		
Long-term loans, net	87,314	42,259
Dividend payment to Canada	(3,263)	(4,353)
Long-term receivables	365	672
	84,416	38,578
Investments		
Additions to property and equipment, net	(97,395)	(39,426)
Increase in cash and investments	25,579	38,179
Cash and investments, beginning of year	57,609	19,430
Cash and investments, end of year	\$ 83,188	\$ 57,609

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Year ended December 31, 1996

(tabular amounts only are in thousands of dollars)

Local Port Corporation

The Vancouver Port Corporation was established on July 1, 1983 as a local port corporation pursuant to the *Canada Ports Corporation Act*. The Corporation is exempt from income taxes.

The Corporation's mission is to facilitate and expand the movement of cargo and passengers through the Port of Vancouver, to provide facilities, services and technologies that are competitive, safe, commercially viable, dependable and customer oriented, and to operate with broad public support in the best interests of Canadians.

The national marine transportation system has been and continues to be under review by the Government of Canada. The effect of this review is the proposed implementation in 1997 of a new *Canada Marine Act* superseding the *Canada Ports Corporation Act*. At this time, the impact of these changes on the Corporation is not known.

1. Significant Accounting Policies

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. A summary of the significant accounting policies of the Corporation is as follows:

(a) Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Canada Place Corporation. All significant intercompany accounts and transactions have been eliminated.

(b) Property and equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis, commencing with the year the asset becomes operational, at rates based on the estimated useful lives of the assets as follows:

Asset	Rate
Dredging	15 to 40 years
Berthing structures, buildings, roads and surfaces	10 to 40 years
Utilities	10 to 33 years
Machinery and equipment	1 to 20 years
Office furniture and equipment	3 to 5 years

(c) Pension costs

All permanent employees of the Corporation are covered by either the Public Service Superannuation Plan administered by the Government of Canada, or a private group retirement plan. Contributions to the plans are required from the employees and the Corporation. Although both plans are defined benefit plans, the contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account or with respect to charges to the Consolidated Revenue Fund for indexation payments under the *Supplementary Retirement Benefits Act*.

(d) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are estimated by the Corporation in accordance with the *Municipal Grants Act*. Accruals are re-evaluated each year and changes, if any, are made in the current period's financial statements based on the best available information, including the results of audits by the Municipal Grants Division of Public Works Canada.

(e) Employee benefits

The Corporation accrues estimated liabilities for severance pay and annual leave. These benefits are provided under collective agreements and corporate policy.

(f) Comparative figures

Certain 1995 comparative figures have been reclassified to conform with the presentation adopted in the current year.

2. Investments

Current investments are in Government of Canada treasury bills and in term deposits. At December 31, 1996 and 1995 the market value of these investments approximated carrying value.



Vancouver Port Corporation

Notes to Consolidated Financial Statements

Year ended December 31, 1996

(tabular amounts only are in thousands of dollars)

3. Long-Term Receivables

	1996	1995
Long-term agreements for sale, bearing interest at 8.525% per annum, receivable in blended annual instalments totalling approximately \$1.3 million, maturing between 1998 and 2012, repayable at any time	\$ 11,280	\$ 12,022
Less current portion (included in accounts receivable)	(357)	(752)
	10,923	11,270
Fire protection costs, net of amortization	1,040	1,120
Other	87	105
	\$ 12,050	\$ 12,495

4. Property and Equipment

	1996		1995	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 91,207	\$ —	\$ 91,207	\$ 90,823
Dredging	584	313	271	295
Berthing structures	85,564	33,589	51,975	64,542
Buildings	117,225	35,768	81,457	110,575
Utilities	21,677	11,451	10,226	10,820
Roads and surfaces	39,729	29,167	10,562	10,589
Machinery and equipment	33,728	18,455	15,273	16,829
Office furniture and equipment	12,954	9,310	3,644	4,627
Projects under construction	163,118	—	163,118	58,708
	\$ 565,786	\$ 138,053	\$ 427,733	\$ 367,808

In the year ended December 31, 1996, a comprehensive revaluation of certain capital assets of the Corporation's wholly-owned subsidiary, Canada Place Corporation, was undertaken. As a result, the carrying amount of the building was written down by \$26,160,000 to its net recoverable amount based on projected undiscounted future net cash flows.

5. Long-Term Loans

	1996	1995
Unsecured loan from Canada, bearing interest at 7.5% repayable in blended annual instalments maturing December 31, 2000	\$ 1,710	\$ 2,065
Unsecured loan from Export Development Corporation, bearing interest at 8.525%, repayable in quarterly instalments, amortized over 15 years, maturing May 31, 2005	42,614	44,239
Unsecured loan from Export Development Corporation, bearing interest at 8.345%, repayable in quarterly instalments, amortized over 15 years, maturing May 31, 2006	41,671	—
Unsecured loan from Export Development Corporation, bearing interest at 6.538%, repayable in quarterly instalments, amortized over 15 years, maturing November 28, 2006	51,600	—
	137,595	46,304
Less current portion (included in accounts payable)	(5,957)	(1,980)
	\$ 131,638	\$ 44,324

Notes to Consolidated Financial Statements

Year ended December 31, 1996

(tabular amounts only are in thousands of dollars)

Principal repayment requirements over the next five years are as follows:

1997	\$ 5,957
1998	6,344
1999	6,832
2000	7,359
2001	7,416
	\$ 33,908

6. Related Party Transactions

In addition to the related party transactions described elsewhere in these consolidated financial statements, the Corporation paid \$1,221,544 (1995 – \$1,546,955) to Canada Ports Corporation for its share of that corporation's operating expenses.

7. Commitments

Contractual obligations for the construction, purchase and lease of property and equipment as at December 31, 1996 are estimated at \$46.2 million.

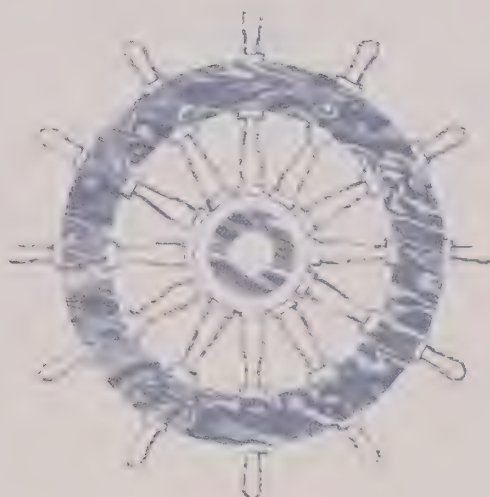
It is the policy of all port corporations that each port corporation pay a dividend to Canada not later than March 31 based on a Corporation's prior year's income. Dividends are recorded by the Corporation as a liability when declared.

8. Contingencies

(a) At December 31, 1996 the Corporation had claims from certain Lower Mainland municipalities for grants in lieu of taxes of approximately \$10.1 million (1995 – \$12.9 million) greater than the amount accrued in the financial statements. Management is confident that the claims by municipalities not accrued in the financial statements will not result in additional cost to the Corporation.

During 1996 the Municipal Grants Division of Public Works Canada completed audits at certain municipalities. As a result of the 1996 audits, the Corporation has expensed in prior years a total of \$7.8 million for grants in lieu of taxes more than was required. This year's audits and other information have indicated additional overaccruals in prior years totaling approximately \$4.9 million. At December 31, 1996, the potential benefit from \$5.2 million (1995 – \$1.6 million) for over payments of grants in lieu of taxes in prior years has not been recorded in the financial statements due to uncertainty.

(b) There are claims against the Corporation for approximately \$5.0 million plus unspecified damages. In management's opinion, the likelihood of these claims succeeding is not determinable. The effect, if any, of the ultimate resolution of these matters will be accounted for in the accounts of the year a liability is estimable.



Vancouver Port Corporation

Notes to Consolidated Financial Statements

Year ended December 31, 1996

(tabular amounts only are in thousands of dollars)

9. Financial Instruments

The carrying value of current assets and current liabilities approximates their fair value due to the relatively short period to maturity of these financial instruments.

At December 31, 1996, the fair value of other financial assets and financial liabilities in the consolidated balance sheet is as follows:

	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term receivables	\$ 12,407	\$ 12,407	\$ 13,247	\$ 13,133
Long-term loans	137,595	145,214	46,304	47,683

The fair values of the Corporation's long-term receivables and long-term loans are determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

Board of Directors

J. Ron Longstaffe
Chairman
Vancouver, British Columbia

Carole Taylor ^{1 2}
Vice-Chair
Vancouver, British Columbia

Denis J. Côté, P.Eng. ^{1 3}
Vancouver, British Columbia

James W.Y. Lee, MAIBC ^{1 3}
Vancouver, British Columbia

Joan Lew ²
Vancouver, British Columbia

Gordon W. Staseson ¹
Regina, Saskatchewan

Thomas G. White, C.A. ^{2 3}
Williams Lake, British Columbia

¹ Member, Planning and Development Committee

² Member, Public Affairs Committee

³ Member, Audit and Budget Committee

Officers of the Corporation

J. Ron Longstaffe
Chairman

Carole Taylor
Vice-Chair

Norman C. Stark
President and Chief Executive Officer

Gordon J. Houston
Vice President, Operations

Kevin G. Little
Vice President, Business Development and Customer Service

Tom Winkler
Vice President, Finance and Administration

Warren D. McCrimmon
Director, Legal Services and Corporate Secretary



Corporate Directory

Board of Directors

James B. Powers

*Acting Chairman of the Board
St. John's, Newfoundland*

Don N. Morrison

*Acting President and Chief Executive Officer
Ottawa, Ontario*

Raymond Landry

Petit Rocher, New Brunswick

L. Allen Larson

Kamloops, British Columbia

Raymond Lemay

*Chairman of the Board
Montréal Port Corporation
Montréal, Quebec*

J. Ron Longstaffe

*Chairman of the Board
Vancouver Port Corporation
Vancouver, British Columbia*

Nels Nelson

Grimshaw, Alberta

K.R. Nurse

Regina, Saskatchewan

Mervyn C. Russell

*Chairman of the Board
Halifax Port Corporation
Halifax, Nova Scotia*

Robert H. Vandewater

Winnipeg, Manitoba

Planning and Budgeting Committee

Chairman

Mervyn C. Russell

Members

Raymond Landry
L. Allen Larson
Raymond Lemay
J. Ron Longstaffe
Don N. Morrison
Nels Nelson
K.R. Nurse
James B. Powers
Robert H. Vandewater

Audit Committee

Chairman

J. Ron Longstaffe

Members

Nels Nelson
K.R. Nurse
Robert H. Vandewater

Police Committee

Chairman

James B. Powers

Members

Raymond Lemay
J. Ron Longstaffe
Don N. Morrison
Mervyn C. Russell

Officers of the Corporation

James B. Powers

Acting Chairman of the Board

Don N. Morrison

Acting President and Chief Executive Officer

Sidney Peckford

*Director General
Ports Canada Police*

Nicole Sauvé

Corporate Secretary



Mailing Addresses

Canada Ports Corporation

Port of Belledune
Belledune NB E0B 1G0
Tel.: (506) 522-2859
Fax: (506) 522-0803

Port of Churchill
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port Colborne
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port of Prescott
c/o National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Port Saguenay/Baie des Ha! Ha!
49 Lafontaine Street
P.O. Box 760
Chicoutimi QC G7H 5E1
Tel.: (418) 698-5535
Fax: (418) 543-4633

Port of Sept-Îles
1 quai Mgr-Blanche
Sept-Îles QC G4R 5P3
Tel.: (418) 968-1231
Fax: (418) 962-4445

Port of Trois-Rivières
1545 du Fleuve Street
P.O. Box 999
Trois-Rivières QC G9A 5C7
Tel.: (819) 378-3939
Fax: (819) 378-2487

Ridley Terminals Inc.
P.O. Bag 8000
Prince Rupert BC V8J 4H3
Tel.: (604) 624-9511
Fax: (604) 624-4990

National Office
99 Metcalfe Street
Ottawa ON K1A 0N6
Tel.: (613) 957-6787
Fax: (613) 996-9629

Local Port Corporations

Halifax Port Corporation
Ocean Terminals
P.O. Box 336
Halifax NS B3J 2P6
Tel.: (902) 426-3643
Fax: (902) 426-7335

Montréal Port Corporation
Port of Montréal Building
Cité du Havre
Montréal QC H3C 3R5
Tel.: (514) 283-7011
Fax: (514) 283-0829

Prince Rupert Port Corporation
110 3rd Avenue West
Prince Rupert BC V8J 1K8
Tel.: (250) 627-7545
Fax: (250) 627-7101

Port of Québec Corporation
150 Dalhousie Street
P.O. Box 2268
Québec QC G1K 7P7
Tel.: (418) 648-3558
Fax: (418) 648-4160

Saint John Port Corporation
133 Prince William Street
P.O. Box 6429, Station A
Saint John NB E2L 4R8
Tel.: (506) 636-4869
Fax: (506) 636-4443

St. John's Port Corporation
3 Water Street
P.O. Box 6178
St. John's NF A1C 5X8
Tel.: (709) 442-4664
Fax: (709) 772-4689

Vancouver Port Corporation
1900 Granville Square
200 Granville Street
Vancouver BC V6C 2P9
Tel.: (604) 666-3226
Fax: (604) 666-1207

